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FILE No. ML 359/2 (Part)

TITLE: OIL: IRAQ: PRODUCTION

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IRAQ PETROLEUM COMPANY, LIMITED

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11th February, 1969.

IRAQ OIL - JANUARY 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for January, 1969 are as follows -

	Production January 1969	Jan. '68	Dec. '68
	Long Tons		
IRAQ PETROLEUM COMPANY, LIMITED	4,802,000	+ 6%	+ 3%
BASRAH PETROLEUM COMPANY LIMITED	1,186,000	− 19%	− 22%
MOSUL PETROLEUM COMPANY LIMITED	110,000	− 5%	+ 72%
	6,098,000	+ .08%	− 6%

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MEES 7/2/69

IRAQ

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7. Iraq's 1968 Oil Revenues Top £200 Million: Iraq's oil revenues from IPC and its associated companies for 1968 totaled more than £203 million, according to the Iraqi Minister of Oil and Minerals, Dr. Rashid al-Rifa'i. In a statement to the press in Baghdad on 1 February, Dr. Rifa'i said that £17 million of this amount was attributable to Iraq's additional income of 7 cents a barrel paid on shipments of Iraqi crude oil from the Eastern Mediterranean under an agreement concluded with IPC last June (MEES, 14 June 1968). Iraq's oil revenues for 1967 totaled £131.7 million.

2

Middle East Economic Survey

A weekly review of news and views on Middle East Oil

VOL. XII NO. 15 7 FEBRUARY 1969

LIBYA LEADS IN 1968 OIL OUTPUT GROWTH BUT MIDEAST REGISTERS HEALTHY 12 PERCENT INCREASE

Iraq

Despite the closure of the Suez Canal throughout the year, crude oil production in the Middle East in 1968 registered a very healthy increase of 1.2 million barrels daily, or 12.1 percent, over the 1967 level (see MEES tables overleaf). This compares with an output growth of only 7.2 percent in 1967 and an average annual increase of 10 percent for the five-year period 1962-67.

On closer inspection, however, the 1968 figures reveal that the rise in actual "East-of-Suez" output was not quite as large as it might appear at first sight. In fact, a sizeable chunk - around 500,000 b/d - of the increase in Middle East production was channeled through the pipelines from northern Iraq and eastern Saudi Arabia to the Mediterranean seaboard; and for all practical purposes such supplies may be regarded as Mediterranean rather than Arabian Gulf oil. After their various vicissitudes in 1967, both the Iraqi (IPC) and Saudi (Aramco-Tapline) pipeline systems were - as might have been expected with the Canal closed - operated at more or less full capacity throughout 1968, delivering an aggregate average of about 1.6 million b/d to East Mediterranean ports.* Thus, a somewhat smaller growth is evident for those major producing countries whose export outlets are mainly on the Arabian Gulf: some nine percent each for Iran and Saudi Arabia and five and a half percent for Kuwait.

Percentagewise, however, the increase in Middle East production was dwarfed by the growth in North Africa - particularly in Libya whose geographically favored output rose by a massive 49.3 percent last year.

Taken together, the producing countries of the Middle East and North Africa - with an aggregate volume increase of over 2.1 million b/d or 17 percent - supplied by far and away the lion's share of the 1968 increase in the volume of oil moving in the world export trade. By contrast, production in Venezuela - which had registered a higher-than-average growth of 5 percent in 1967 mainly due to the Middle East crisis - rose by only 1.8 percent (to 3,605,000 b/d) in 1968.

As regards the year 1969, all indications point to another substantial rise in North African output. However, the size of the increase in Middle East production may be somewhat affected by the probable re-emergence of Nigeria as a major exporting country. As a result of the civil war, Nigeria's crude oil exports were held down to a mere 50,000 b/d (as compared with 500,000 b/d in the first half of 1967) for most of 1968. But, with the recent recommissioning of some of Shell/BP's facilities in the Eastern and Midwestern Regions, output

* Say about 1,100,000 b/d for IPC as against 750,000 b/d in 1967, and 470,000 b/d for Tapline as against 330,000 b/d in 1967.

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EDITOR & PUBLISHER: FUAD W. ITAYIM
NEWS EDITOR: I. N. H. SEYMOUR
BUSINESS MANAGER: T. I. BAWARSHI
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CRUDE OIL PRODUCTION FIGURES 1968
(Thousand Barrels Daily)

A. MIDDLE EAST

	January	February	March	April	May	June	July	August	September	October	November	December	Year 1968	Year 1967	% Change
Saudi Arabia (Aramco)	2,603	2,843	2,879	2,883	2,960	2,783	2,939	2,603	2,856	2,717	2,705	2,987	2,830	2,598	+ 8.9
Iran	2,741	2,617	2,614	2,684	2,855	2,605	2,926	2,840	3,065	2,995	3,191	2,958	2,841	2,604	+ 9.1
- Consortium	2,605	2,476	2,476	2,547	2,710	2,470	2,807	2,705	2,934	2,864	3,035	2,809	2,704	2,474	+ 9.3
- IPAC	107	112	109	107	118	106	94	112	105	103	85	72	102	100	+ 2.0
- SIRIP	20	21	20	21	20	19	15	13	16	18	17	16	18	21	- 14.3
- NIOC	9	8	9	9	7	10	10	10	10	10	10	10	9	9	0.0
- LAPCO	-	-	-	-	-	-	-	-	-	-	44	51	8	-	-
Kuwait (KOC)	2,160	2,492	1,971	2,254	2,555	2,065	2,581	2,422	2,695	2,412	2,522	2,904	2,421	2,292	+ 5.6
Iraq	1,488	1,520	1,617	1,529	1,542	1,454	1,482	1,445	1,452	1,425	1,548	1,525	1,503	1,222	+ 23.0
- IPC	1,105	1,179	1,182	1,157	1,135	997	1,097	1,142	1,101	1,171	1,223	1,139	1,136	781	+ 45.4
- BPC	355	314	407	345	380	430	358	276	325	228	300	371	341	415	- 17.8
- MPC	28	27	28	27	27	27	27	27	26	26	25	15	26	26	0.0
Abu Dhabi	516	510	506	507	521	536	486	517	519	437	488	468	499	384	+ 29.9
- Onshore (ADPC)	326	303	309	286	311	325	300	343	352	298	338	314	315	261	+ 20.7
- Offshore (ADMA)	190	207	197	221	210	211	186	174	167	139	150	154	184	123	+ 49.6
Neutral Zone	316	400	389	475	443	426	464	456	433	473	457	406	428	417	+ 2.6
- Onshore (Getty/Aminoil)	79	114	120	164	180	108	128	118	103	149	138	119	127	138	- 8.0
- Offshore (Arabian Oil)	237	286	269	311	263	318	336	338	330	324	319	287	301	279	+ 7.9
Qatar	330	332	351	331	337	339	344	346	358	359	315	344	340	324	+ 4.9
- Onshore (QPC)	188	193	206	181	185	188	193	199	207	211	173	202	194	196	- 0.5
- Offshore (Shell)	142	139	145	150	152	151	151	147	151	148	142	142	146	129	+ 13.2
Oman (PDO)	162	172	177	202	214	245	263	270	285	292	299	296	240	56	+328.6
Bahrain (Bapco)	71	74	76	75	77	75	76	75	75	76	78	77	75	70	+ 7.1
Total	10,387	10,960	10,580	10,940	11,504	10,548	11,561	11,174	11,738	11,186	11,603	11,965	11,177	9,967	+ 12.1

B. NORTH AFRICA

	January	February	March	April	May	June	July	August	September	October	November	December	Year 1968	Year 1967	% Change
Libya	2,040	2,300	2,347	2,490	2,660	2,674	2,749	2,689	2,748	2,829	2,892	2,778	2,600	1,741	+ 49.3
Algeria	739	932	910	864	941	912	920	922	930	915	917	1,073*	914*	836	+ 9.3
Total	2,779	3,232	3,257	3,354	3,601	3,586	3,669	3,611	3,678	3,744	3,809	3,851	3,514	2,577	+ 36.4

* Estimates

CRUDE OIL PRODUCTION IN MIDDLE EAST AND NORTH AFRICA 1968
(Thousand Barrels Daily)

	1968	1967	% Change
Saudi Arabia*	3,044	2,807	+ 8.4
Iran	2,841	2,604	+ 9.1
Kuwait*	2,635	2,501	+ 5.4
Libya	2,600	1,741	+ 49.3
Iraq	1,503	1,222	+ 23.0
Algeria	914	836	+ 9.3
Abu Dhabi	499	384	+ 29.9
Qatar	340	324	+ 4.9
Oman	240	56	+328.6
Bahrain	75	70	+ 7.1
Total	14,691	12,545	+ 17.1

* Includes one-half of output from the Saudi Arabia-Kuwait Neutral Zone.

had got back to around 400,000 b/d by the end of the year, and some observers are predicting that, politics permitting, Nigerian exports could reach the 1 million b/d mark by the second half of 1969.

So much for the general picture. There follows a MEES analysis of the 1968 results for individual countries:

Saudi Arabia

Saudi Arabia maintained its top position in the league table of Mideast/North African oil producers (see p. 3) with an average 1968 production of 3,044,000 b/d (including one-half of Neutral Zone output), representing an increase of 8.4 percent over 1967.

In Saudi Arabia proper, Aramco boosted its output to 2,830,000 b/d, an increase of 8.9 percent over the 1967 average. This compares with a 1967 rise of 8.6 percent and an average annual growth rate of 11.5 percent for the five-year period 1962-1967.

Saudi Arabia probably contains the largest reserves of conventional crude oil of any country in the world, and has a high degree of market flexibility owing to the variety of types of crude it can offer. Apart from the existing producing fields with their wide margin for future expansion of production, Aramco discovered no less than three new offshore fields - Marjan, Karan and Jana - in 1967 and followed this up last year with what looks like a very promising find of light crude at Shaibah in the Rub' al-Khali (MEES, 31 May 1968). With no shortage of export capacity, it would be fairly safe to predict - particularly given the government's watchful eye in such matters - a steady increase in Saudi production in future years at rates at least comparable with those of the past few years.

Iran

In second place, Iran produced an average of 2,841,000 b/d in 1968, an increase of 9.1 percent over the previous year. This compares with the exceptional growth of 23.2 percent in 1967 and a 1962-67 average of 14.5 percent. The Consortium, Iran's biggest producer, raised its output to 2,704,000 b/d in 1968, giving an increase of 9.3 percent as compared with the record 22.7 percent growth in 1967.

It was not, of course, to be expected that the Consortium's 1968 performance would match that of the previous year when Iran's oil production was boosted beyond all prior projections as a result of the IPC pipeline shutdown in Syria and the post-June selective destination embargo by the Arab producers. However, some disappointed voices have already been raised in the Iranian press, claiming that the Consortium has failed to live up to its production and export commitment previously agreed upon with the Iranian Government. Nevertheless, it should be noted that the understanding reached between Iran and the Consortium in the spring of 1968 was not so much concerned with the actual level of production as with a guarantee regarding the amount of oil revenue to be received by the Iranian treasury during the financial year 1968-69 (variously reported as being between $850 million and $865 million as compared with actual Consortium payments of $712 million for the calendar year 1967). A good part of this projected increase in oil revenues was to be made up by means of a higher unit income per barrel to Iran as a result of various cost and price developments (MEES, 23 August 1968). At all events, official circles in Iran still appear to be confident that the 1968-69 revenue target will be attained.

Not much can be predicted with any certainty at this stage about the Consortium's export program for 1969-70, since negotiations with the government on this subject have not yet been completed. However, Iran has made no secret of its desire to regain its one-time position as the leading oil producer in the Middle East - justifying its demand for the lion's share of the area's production growth by pointing to the development needs of the country's 26 million people, with particular emphasis on the revenue requirements of the ambitious 1968-73 economic development plan.

Iranian production outside the Consortium area - that is to say mainly from the offshore joint ventures between the National Iranian Oil Company (NIOC) and various foreign groups - remained more or less static in 1968 at around 137,000 b/d. However, a sizeable increase is in prospect for 1969 when exports from Lapco's Sassan field, which began last November, should start to climb towards the field's rated capacity of 200,000 b/d. By 1970-71 a number of new offshore fields - including SIRIP's Nowruz, Iminoco's Rostam and IPAC's Fereidoon (which is now free for exploitation following the ratification of the Saudi-Iranian offshore demarcation agreement) - should also be coming on stream, and some estimates suggest that Iran may be producing as much as 700,000 b/d from non-Consortium fields by 1972.

Kuwait

Kuwait just managed to avoid being overtaken by Libya for the number three position in the table last year, but the likelihood is that Libya will jump ahead in 1969. Nevertheless, Kuwait's growth performance in 1968 was better than the average over the past few years. Early in 1968 the main producing company, KOC, had reportedly assured the government that it would do its best to raise output by 6 percent in 1968, and in the event came very close to reaching that target after coming up with a record 2,904,000 b/d in December.

Kuwait's average for the year (including one-half of Neutral Zone output) worked out at 2,635,000 b/d, an increase of 5.4 percent. In Kuwait proper, KOC production averaged 2,421,000 b/d - a hike of 5.6 percent which compares favorably with the growth of only 0.7 percent in 1967 and an annual average of 4.5 percent for 1962-67.

Kuwait has ample reserves of crude oil whose cost of production (around 7 cents a barrel according to official figures) is probably the lowest in the world. However, the actual growth of production has been comparatively sluggish in recent years. One can only speculate as to the reasons for this. One may be the fairly high sulfur content (2.6 percent) of Kuwait crude (though perhaps not too much should be made of this factor since many other Middle East crudes contain as much sulfur as Kuwait oil, if not more). Another possible problem could stem from the fact that both the two KOC owner companies, BP and Gulf Oil, are long on crude and therefore depend to a greater extent than other operating groups in the Middle East on deals with third parties in order to maintain output growth.

The Kuwait Government - perhaps recognizing, reasonably enough, the greater revenue needs of its larger and more populous neighbors - has in general refrained, in public at least, from making too much of an issue of this matter. However, as already mentioned, it did succeed in obtaining a "best endeavors" undertaking from KOC to raise output by 6 percent in 1968, and it would probably want this rate to be maintained as far as possible in future years.

Libya

Libya recorded a staggering growth in crude oil production in 1968 - some 860,000 b/d in actual volume and nearly 50 percent in percentage terms. Output for the year averaged 2,600,000 b/d, an increase of 49.3 percent over 1967 as compared with the more modest rise of 15.8 percent in 1967 over 1966.

The event of the year was undoubtedly the rocketing debut of Occidental Petroleum which, after shipping its first export cargo in late-February, rapidly raised output to over 500,000 b/d by mid-year and ended up with an average of 382,000 b/d for the whole of 1968. Other significant increases were registered by established producers such as Esso (140,000 b/d), BP-Bunker Hunt (140,000 b/d), Amoseas (110,000 b/d) and Oasis (55,000 b/d).

Considering Libya's advantages of geographical location, low-sulfur crude, together with the number and diversity of the oil companies with producing interests in the country, reasons for the 1968 boom in oil production are not difficult to find. With projected expansion by a number of companies - including Occidental, Oasis and BP-Hunt - the indications are that 1969 will witness another substantial gain in Libyan output, though probably not to such a spectacular extent as last year. Present estimates would suggest a 1969 average of well over 3 million b/d.

Iraq

Crude production by IPC and its associated companies in Iraq averaged 1,503,000 b/d in 1968, an increase of 23 percent over the previous year. This compares with a decrease of 11.6 percent in 1967 and an average annual growth of 4 percent during the period 1962-67. As might have been expected, the extra output come entirely from the northern fields (up 45 percent), while production from the southern fields with their export outlet on the Arabian Gulf actually fell by 17.8 percent in 1968.

Altogether, then, 1968 proved a fairly satisfactory year for Iraq, although a good part of the production increase should properly be regarded as make-up of ground lost in 1967 rather than as a net gain.

Growth prospects for 1969, however, are somewhat problematic owing - quite apart from the continued deadlock between the Iraqi Government and IPC - to the sheer physical fact of available export capacity. In the north the existing pipeline system is already working at full capacity, which means that any increase in 1969 will have to come from BPC's fields in the south where the capacity of the deepwater export terminal rated at some 440,000 b/d (as against the 1968 output of 341,000 b/d).

In the longer term, however, there is certainly no lack of as yet undeveloped oil resources in Iraq, particularly in the south where the state company INOC is planning to put the huge North Rumaila field into production and the French firm ERAP, under contract to INOC, has just made its first oil discovery.

Algeria

Algerian production increased by some 9.3 percent in 1968 with an average of 914,000 b/d. This compares with a rise of 15.5 percent in 1967 and an average annual growth of 13.5 percent during 1962-67. In view of Algeria's favorable location vis-à-vis the European market, one might have expected a somewhat higher growth in oil output last year than was in fact registered. This could partly be due to the current tight situation as regards pipeline capacity. However, the state company Sonatrach is now increasing pumping capacity on the existing 28-inch line from Haoud El Hamra to Arzew and recently called for tenders for the construction of a new crude oil trunk pipeline - Algeria's fourth - from Haoud El Hamra to the Mediterranean port of Skikda.

Others

Among the other smaller Middle East producers, Abu Dhabi raised its oil output to nearly 500,000 b/d last year, registering a solid 30 percent gain over 1967. Most of the increase came from the recently commissioned offshore Zakum field operated by ADMA, but the onshore concessionaire, ADPC, also recorded a respectable 20 percent gain. The presently installed production and export capacity of the two producing groups in Abu Dhabi is believed to be in the region of 700,000 b/d (380,000 b/d onshore for ADPC and 320,000 b/d offshore for ADMA), which would leave plenty of room for output growth in the next year or two.

In Qatar, total output rose by 4.9 percent to 340,000 b/d, with nearly all the increase coming from Shell's offshore fields. Unless additional reserves are discovered, future output may be expected to stabilize at about this level since both the onshore (QPC) and offshore (Shell) fields are understood to be currently producing at more or less optimum capacity.

In the Neutral Zone, most of the hopes for future expansion are centered on the Japanese Arabian Oil Company's offshore concession where abundant reserves have been discovered, the main problem being one of finding markets outside Japan. However, AOC's marketing prospects should be materially improved when the new Hout field is put into production at an initial rate of 60,000 b/d next June. Hout oil is a light (35-37^{o} API), low-sulfur (around 1 percent) crude, in contrast to the present output of heavy, high-sulfur crude from the Khafji field. However, prospects are not so bright onshore where production fell by 8 percent last year following a similar drop the year before. The main long-term problem stems from the progressive decline of the main producing field at Wafra, though this will doubtless be somewhat alleviated as a result of the commissioning of a new field - South Umm Gudair - which began production last March. Both the joint operators in the Neutral Zone onshore, Aminoil and Getty Oil, are also reported to have encountered severe marketing difficulties (particularly Getty Oil) as a result of the Suez Canal closure.

In Oman, the Shell-operated producing company PDO just about attained its target of reaching an average output of 300,000 b/d by the end of 1968. Present plans envisage an increase to around 350,000 b/d by the end of 1969, at which point the three existing oilfields - Fahud, Natih and Yibal - will have more or less attained their optimum production level. Any significant expansion of Oman output after that will therefore depend on the discovery of additional reserves.

Finally, it should be noted that two new Middle East countries - the UAR and Syria - attained the status of net exporters of crude oil during 1969. (Production statistics for these two countries have not been included in the tables since accurate monthly figures are not yet

available.) Syria exported around one million tons of locally produced crude during the second half of the year, making an average of some 10,000 b/d for 1968 as a whole, and 1969 plans call for the export of 80,000 b/d. In the UAR, local crude oil production (having more than made good the loss of the Sinai fields in the June 1967 war) had risen to around 250,000 b/d by year-end 1968, and Egyptian officials have predicted that output will reach the 500,000-b/d-mark by the end of 1970 - of which the net export surplus would probably be over 300,000 b/d.

IRAN

1. Oil Companies' Future in Iran Will Depend on How They Behave, Says Shah: The future of oil companies operating in Iran "depends on how they behave," according to a statement by the Shah of Iran. "If they agree to terms they are secure until the present agreement ends in 12 years' time, with the possibility of three more five-year periods after that," the Shah said. The Shah was speaking in a recent interview with the magazine US News and World Report, which included the following questions and answers on the subject of oil:

Q: What about the oil that has financed so much of your expansion? Will that last for a long time?

A: That depends on how much you are going to exploit and how fast you want to dry up your reserves. If you go at a moderate pace, the oil won't dry up so fast. We're discovering new fields every day. We should have enough oil for the next 50 years. I hope that, in time, consumption will be much less. Everyone will be turning to atomic energy, and oil will be used more and more for petrochemical purposes - so the reserves will last much longer.

Q: What will happen to the oil companies operating in Iran? Will they be allowed to go on as they are now?

A: It depends on how they behave. If they agree to terms they are secure until the present agreement ends in 12 years' time, with the possibility of three more five-year periods after that. In order to keep the agreement, there must be good will on both sides.

IRAN-IRAQ

2. Iraqi-Iranian Joint Committees Meet in Baghdad to Discuss Border and Other Problems: Joint Iraqi-Iranian Committees began meeting in Baghdad on 1 February to discuss solutions to a number of outstanding questions between the two countries. The visiting team is headed by Mr. Abbas Khalatbari, Assistant Under Secretary of the Iranian Ministry of Foreign Affairs, that of the host team by Mr. Ni'mah al-Ni'mah, Under Secretary of the Iraqi Ministry of Foreign Affairs.

These joint committees were set up following an official visit to Iran last July by former Iraqi Prime Minister Tahir Yahya. At the time, their instructions were to study and make recommendations on the following questions:

- The demarcation of the continental shelf and cooperation in the exploitation of the Naft-Khanah and Naft-i-Shah oilfields.

- The settlement of frontier problems.

- The joint utilization of the waters of frontier rivers.

IRAN-SAUDI ARABIA

3. Saudi Arabia and Iran Exchange Ratification Instruments of Offshore Demarcation Agreement: Saudi Arabia and Iran have exchanged the instruments of ratification of the agreement they concluded on 24 October 1968 for demarcation of the offshore continental shelf between their two countries (for details and map, see MEES, 22 November 1968). According to a Jiddah press report, the exchange took place at a ceremony held on 29 January at the Saudi Ministry of Foreign Affairs.

UAR

4. Sidqi Estimates Potential of Umbaraka Wildcat at 5,000 b/d: The production potential of the Phillips Umbaraka wildcat in Egypt's Western Desert (MEES, 31 January) is estimated at not less than 5,000 b/d of the highest gravity, lowest sulfur-content crude yet discovered in the UAR, according to Dr. 'Aziz Sidqi, the UAR Minister of Industry, Petroleum and Mineral Resources. Dr. Sidqi made this estimate in a statement on 30 January following a visit with other top UAR oil officials to the site of the Phillips discovery, located about 80 kms. south of the Mediterranean coast and 225 kms. west of the Alamein field which is currently under production by WEPCO, the joint operating company owned 50 percent by Phillips and 50 percent by the Egyptian General Petroleum Corporation.

An earlier statement issued on 28 January by Phillips in Bartlesville, Oklahoma, said that the Umbaraka No. 1 wildcat flowed 2,088 b/d of 45° API crude through a 24/64-inch choke from 28 ft. of perforations in a 70-ft. thick cretaceous pay sand at a depth of 10,700 ft. A previous test of 10 ft. of perforations lower in the sand yielded 1,152 b/d.

Details of the Phillips discovery as announced by Dr. Sidqi and other UAR oil officials indicate that the Umbaraka wildcat, which was taken down to a depth of 13,200 ft., encountered four oil and gas shows in a sandstone formation at depths below 10,300 ft. The main trap consists of 61 ft. of pay sand lying at a depth of 10,682-10,743 ft. On test, 10 ft. (between 10,725 and 10,735 ft.) of this 61-ft.-thick pay sand yielded an average of 1,000 b/d of 45° API crude accompanied by 2 million cu. ft. of gas a day. A 3/8-inch choke was used for the test and the well-head pressure registered was 1,750 p.s.i. On another test, a 28-ft. section (between 10,682 and 10,710 ft.) in the same pay sand yielded an average of 2,150 b/d of 45° API crude accompanied by 4 million cu. ft. of gas a day. A 1/2-inch choke was used for this test and the well-head pressure registered this time was 1,475 p.s.i. The sulfur content of the crude obtained in both tests was less than one percent. On the basis of the test results of these two sections, Dr. Sidqi estimated the production potential of the 61 ft. of pay alone at about 5,000 b/d.

The evaluation of the Umbaraka discovery will involve (a) the testing of other oil-bearing horizons encountered by the well, and (b) the reassessment of seismic data with a view to determining the size of the field - now tentatively put at about 20 sq. kms. - and locating the sites for further test drilling in the field.

In his comment on the Umbaraka discovery, Dr. Sidqi elaborated on an earlier statement (MEES, 31 January) to the effect that UAR oil production, now averaging about 250,000 b/d, was targetted to reach the 500,000-b/d mark by the end of 1970. He explained that about 400,000 b/d would by then come from GUPCO's offshore fields in the Gulf of Suez and other government-owned GPC fields along the coast of the Red Sea and Gulf of Suez, and the remaining 100,000 b/d from the Alamein and Umbaraka fields in the Western Desert. He estimated the time required to develop the Umbaraka field at about 16 months, so that the new field should be ready for production before the end of 1970.

Egyptian oil circles are enthusiastic about both the potential size of the Umbaraka discovery and the quality of the crude obtained which comes close to some of the types discovered in the prolific eastern Libyan oilfields. They also feel that the new discovery, in addition to enhancing the oil prospects of Egypt's Western Desert, is significant in that it has encountered oil in a sandstone formation with evidently higher permeability than the dolomite rock in which the Alamein crude was found. The construction of a pipeline outlet from Umbaraka to the Mediterranean coast about 80 kms. away - probably to a point near Mersa Matruh - is also considered likely by some Egyptian circles. Meanwhile, the Egyptian General Petroleum Corporation is reported to be preparing to start exploration work in areas near the Umbaraka discovery, which were surrendered by Phillips under the relinquishment provisions of its Western Desert concession.

5. Mashhur Predicts Projection of Suez Canal into Mammoth Tanker Era: The clearing of the Suez Canal, closed since the Israeli occupation of the Sinai Peninsula in June 1967, will be accompanied by a massive improvement scheme enabling it to take large oil tankers of up to 250,000 tons, according to a statement by Eng. Mashhur Ahmad Mashhur, Chairman of the Suez Canal Authority, quoted in the current issue of the British journal Dock and Harbour Authority.

Eng. Mashhur estimated the total cost of the project, which would mean providing a draught of 67 ft., at about £130 million. Questioned on the likely source of finance, he said that overtures would be made to the World Bank and possibly to other Arab states.

To reopen the Suez Canal, Eng. Mashhur noted, would take three months and would cost about £8 million. To finance this undertaking, he speculated on the possibility of the UAR Government obtaining a loan from Kuwait. Tenders would be invited soon from world shipyards, he said, for the construction of two powerful 8,000 h.p. dredgers, designed for 92 ft. depth.

6. UAR Studies Formation of Drilling Firm with Foreign Participation: Negotiations are currently in progress between the Egyptian General Petroleum Corporation (EGPC) and a number of unnamed international companies for the formation of a joint UAR-foreign drilling firm to undertake contract work for oil companies operating in the UAR. Reporting this, the Cairo daily al-Jumhuriyah of 3 February adds that the EGPC has received a number of offers from foreign companies for participation in the proposed drilling firm and that the EGPC has formed a special committee to study these offers.

IRAQ

7. Iraq's 1968 Oil Revenues Top £200 Million: Iraq's oil revenues from IPC and its associated companies for 1968 totaled more than £203 million, according to the Iraqi Minister of Oil and Minerals, Dr. Rashid al-Rifa'i. In a statement to the press in Baghdad on 1 February, Dr. Rifa'i said that £17 million of this amount was attributable to Iraq's additional income of 7 cents a barrel paid on shipments of Iraqi crude oil from the Eastern Mediterranean under an agreement concluded with IPC last June (MEES, 14 June 1968). Iraq's oil revenues for 1967 totaled £131.7 million.

8. Bulgarians Invited to Assess Iraq's Petrochemical Potential: Last week, a Bulgarian industrial delegation visited Iraq to investigate the possibility of Iraqi-Bulgarian cooperation in the establishment of new petrochemical industries in Iraq. The visit was made at the invitation of the Iraqi Minister of Industry, and the Bulgarian team held several meetings with an Iraqi committee of experts representing the Ministries of Industry and Oil and Minerals.

According to the Baghdad semi-official daily al-Jumhuriyah, which reported this on 27 January, the Bulgarian delegation is now expected to submit a report on its findings to the Iraqi Government "so that immediate steps will be taken to establish such industries."

LIBYA

9. French Group Provides Lipetco with Petroleum Laboratory: On 27 January, the French state group ERAP-SNPA officially turned over to the Libyan General Petroleum Corporation (Lipetco) a petroleum laboratory which the group undertook to provide under the terms of the joint-venture oil deal concluded between the two sides last year (supplement to MEES, 9 August 1968). The laboratory is equipped to carry out oil and gas analyses and other petrological studies.

Commenting on this event, Lipetco Chairman Muhammad Geroushi said that the laboratory provided by the French group would form the nucleus of a lab complex which Lipetco was planning to establish in Libya. It would also be used to train Libyan technicians with a view to the gradual transfer to Libya of all petroleum analyses hitherto conducted abroad.

GENERAL

10. Oil Resolutions of Arab Economic Council: The Arab Economic Council recently completed its fourteenth conference in Cairo and issued resolutions which, in the opinion of the Beirut daily al-Anwar, 4 February, "merely served to freeze all the projects on the Council's agenda." According to the daily, the main petroleum resolutions passed by the Council were the following:

- It was agreed that the proposed Arab Petroleum Institute should be established in Basrah, Iraq, and that efforts to improve existing Arab petroleum institutes should be continued.

- It was resolved that a committee composed of representatives of the Arab League Secretariat and the oil producing member countries of the League should prepare a report on the feasibility of establishing jointly-owned Arab refineries.

- It was agreed that a team of Arab oil experts should meet some time during 1969 to consider coordination of Arab petrochemical projects.

- With regard to Israel's proposed Eilat-Ashkelon pipeline, the Council's recommendation reads as follows: "The Council acquainted itself with the Arab League Secretariat memorandum on the subject as well as the report of the joint committee entrusted with studying an Arab counter-scheme to the Israeli project and recommends that:

  (i) The Arab boycott of Israel principles be applied to any company which supplies or transports oil to the Israeli pipeline.

  (ii) Representations be made to non-Arab countries to persuade them against transporting their oil through the Israeli pipeline."

6

Algeria Orders A Big Boost In Posted Prices

N.A.D.

Econ. O.D.

Algeria, which has scarcely let a week go by this winter without additional jabs at oil companies, has now ordered them to increase their posted prices. The level: $2.65 per barrel f.o.b. Bougie, or some 13% more than today. The postings would be $2.61 at La Skhirra and $2.665 at Arzew. The order was contained in letters to French and non-French companies with slightly different wording for those which now post and those which don't. But the message to all was that Algeria had made careful studies and concluded that the real value of its crude oil was at least $2.65.

It's obvious that $2.65 is a magic number to Algeria since it was the first price posted for Hassi Messaoud crude by SN Repal when the field first began production, though even buyers on the captive French market got an automatic 15¢ discount. The posting was cancelled at the beginning of 1963 when new contracts at lower prices made it meaningless. When the following year Algeria insisted on new postings, Hassi Messaoud producers set a more realistic $2.35 f.o.b. Bougie (see PIW—Jan.6'64,p.5), which has remained in effect despite occasional Algerian grumbles that it's 30¢ too low. Other producers followed with postings of $2.30 f.o.b. La Skhirra and $2.365 f.o.b. Arzew, also still unchanged.

The posted price has no real meaning in Algeria since French companies pay royalty and tax on reference prices set in the Franco-Algerian oil pact, while non-French firms pay theoretically on realizations but actually on much higher "corrected" prices imposed by the government. And Getty Oil of the U.S., which recently signed a precedent-breaking deal has tax prices between the two. Getty also agreed to high posted prices (see PIW—Oct.28,p.5), but curiously, they are 1.5¢ lower at each port than Algeria has now ordered others to post.

Guessing Algerian motives is a full-time job. But this latest move seems to be further preparation for coming negotiations on a rise in reference prices for French companies, eight of which were recently warned their present tax prices became temporary on January 1. According to the 1965 agreement, this matter must be resolved between the two governments. But Algeria may hope to make an increased tax price more palatable by raising the specter of high postings on which tax payment could be demanded if France and Algeria have a falling-out.

•

Iraq Wants To Pay In Oil For Program To Open Up Rumaila

Econ. O.D. (I.P.C.)

N.E.D.

Baghdad

Iraq has drawn up a three-phased $140-million to $154-million program to develop, all on its own, the rich North Rumaila oil field seized from the international oil companies—but it hopes to pay at least part of the development costs out of the crude oil produced, PETROLEUM INTELLIGENCE WEEKLY understands. That's the conclusion being drawn by knowledgeable Middle East circles that have seen the Iraqi tender, which calls for long-term arrangements with contractors, with part or all of the costs to be paid back in crude oil. Bids were invited by early April, an extended deadline (see PIW—Jan.13,p.5).

Requests for bids were sent to the Rumanians, Russians, Yugoslavs, Middle East firms, one Italian company (reportedly ENI's SNAM Progetti), one Spanish (not the Hispanoil exploration group, but possibly SNAM-Auxini, joint ENI-Spanish engineering firm), and two in France. It's not clear whether any request was sent to the Japanese. Those invited include oil companies as well as engineering firms—which would need some oil company tie-in, since Iraq is asking bidders to take maximum payment in oil instead of cash.

Iraq's Oil Minister recently said in Baghdad, according to Rad[illegible] that the tender issued covers the first stage of the North Rumaila p[illegible] completed during 1970 and provide for production of 100,000 barrels daily.

The first phase will cost $16.8-million. It calls for opening existing shut-in North Rumaila wells and building pipelines and other facilities for shipping the oil from the small port of Fao on Iraq's Arabian Gulf coast, PIW learns. Before the field was seized, the Iraq Petroleum group's southern associate (the Basrah Petroleum Company) had drilled three wells that were completed as oil producers

plus another three that were called observation wells.

The tender calls for feeder lines to open the shut-in wells, construction of a gathering center and an 81-mile pipeline to the Fao terminal, plus tankage and other necessary facilities there. The IPC group owns the existing oil terminal at Fao but isn't using it: The group's southern Iraq production is shipped from its offshore Khor Al-Amaya deepwater terminal, since Fao—which needs continuous dredging—can take tankers only up to 25,000 tons or slightly larger.

Second stage of the Iraqi's program, costing about $56-million, calls for building a deepwater shipping terminal out in the Arabian Gulf and drilling "at least 24 wells." This phase also will include necessary gathering centers, pipelines and additional tankage.

The third phase calls for building a pipeline from North Rumaila to join up with the existing Iraq Petroleum Co. pipeline system to the Mediterranean. IPC's line, which moves northern Iraq production, is already operating at capacity so presumably would have to be expanded, though the international owners of IPC haven't thus far been approached on the matter.

World Court Ruling On Shelf Dispute Poses New Problems

A. H. T. D.

The potentially momentous decision handed down by the International Court of Justice on the first continental shelf boundary dispute submitted for its arbitration means that West Germany—eventually—will get a bigger slice of the North Sea from the Netherlands and Denmark. But the ruling, without overturning the "equidistance" principle Germany refused to accept, raises more ticklish problems by instructing the three to renegotiate their offshore boundaries "in accordance with equitable principles." In an 11-6 majority decision by the 17-judge bench, the World Court ruled last week in The Hague that the equidistance method of marking boundaries as defined in the 1958 Geneva Convention (the only existing international guideline) isn't obligatory between parties. (The Netherlands and Denmark had stuck to it in earlier bilateral negotiations with Germany.) Dissenting opinions to the court's majority ruling were appended by the Soviet, Japanese, Italian, Polish and Danish judges. The Philippines judge appended a special declaration that he couldn't agree with the majority's main conclusions.

The three factors which the court's majority ruling laid down as the basis for new negotiations by the three governments are bound to be difficult to follow—or even, perhaps, to define from a technical point of view. The first: General configuration of the coasts of the parties, "as well as the presence of any special or unusual features." Second: "So far as is known or readily ascertainable, the physical and geological structure and natural resources of the shelf areas involved. (As Danish Foreign Minister Hartling says, it will be difficult to figure out a basis for division of the potential oil-bearing sections of the shelf. "We'll have to analyze the situation," he adds.) And third: The element of a "reasonable degree of proportionality which a delimitation carried out in accordance with equitable principles ought to bring about" between the extent of the coastal state's shelf areas and "the length of its coast measured in the general direction of the coastline." (This seems to support Germany's claim to a much greater shelf area than under equidistance measurement, because its coastline is lengthy though indented.)

Oil companies with offshore concessions in the three countries—some of them bound to be affected by a re-drawing of the shelf lines—expect the status quo will continue until the governments have concluded their new negotiations at some unpredictable future time. In light of the situation's uncertainty, meanwhile, it's likely there will be few announcements of the value of any oil or gas finds in areas potentially subject to change.

One early guess of a possible solution for affected present concessions: a split of reserves rather than change in national territorial status. A local precedent is the treaty between Germany and the Netherlands for 50-50 sharing of gas reserves in the Ems Estuary rather than a change of the borderline.

MC

3

FINANCIAL TIMES

Cutting dated F 4 MAR 1969 ...., 19

Sabotage threat to Iraq oil production

BY ADRIAN DICKS

SABOTAGE over the week-end at a desulphurisation or "stabilisation" plant may threaten output from the Iraq Petroleum Company's Kirkuk oilfields.

It is understood that fires in the plant area were started, apparently deliberately, on Saturday night, though no information was available in London last night about the means used. However, London sources pointed out that the Kurdish resistance movement recently announced that it would adopt sabotage tactics against the Baghdad Government.

A spokesman for IPC said last night that there had not as yet been time to assess the extent of damage to the desulphurisation plant—which handled some 51m. tons of crude last year—or the effects on output from the oilfield.

It is believed that oil is still being carried down the pipeline to the Mediterranean terminals. Since, however, the Kirkuk oil is normally passed through stabilisation plant before being pumped into the pipeline, it seems likely that throughput will be affected.

The importance of the pipeline has been underlined ever since the closure of the Suez Canal in 1967 interrupted the normal flow of oil deliveries by tanker to Europe.

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Mr. Bart
Mr. Clyniell
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5/3
P.a.
6/3

THE GUARDIAN

Cutting dated 6 MAR 1969 ...., 19

Shelling cuts oil output by half

From DAVID HIRST : Beirut, March 5

The Iraq Petroleum Company is believed to have been forced to reduce by about half its output from oilfields in North Iraq. This suggests that the shelling of key installations at Kirkuk on Saturday night has caused severe damage.

Output from North Iraq accounted for about 55 million tons of the country's total production of about 73 million tons in 1968.

The sabotage is a considerable economic blow to the international oil companies, especially as output from North Iraq, which is pumped to tanker terminals on the Mediterranean seaboard, has risen sharply since the closure of the Suez Canal. Moreover, at this time of year the companies draw particularly heavily on East Mediterranean oil, and a sudden mishap of this kind is liable to put supply schedules severely out of joint.

Political damage

The IPC is expected to mount an air freight operation to repair the damage as soon as possible. As for the Iraqi Government, which is tight-lipped about the affair, the sabotage is more damaging politically than economically.

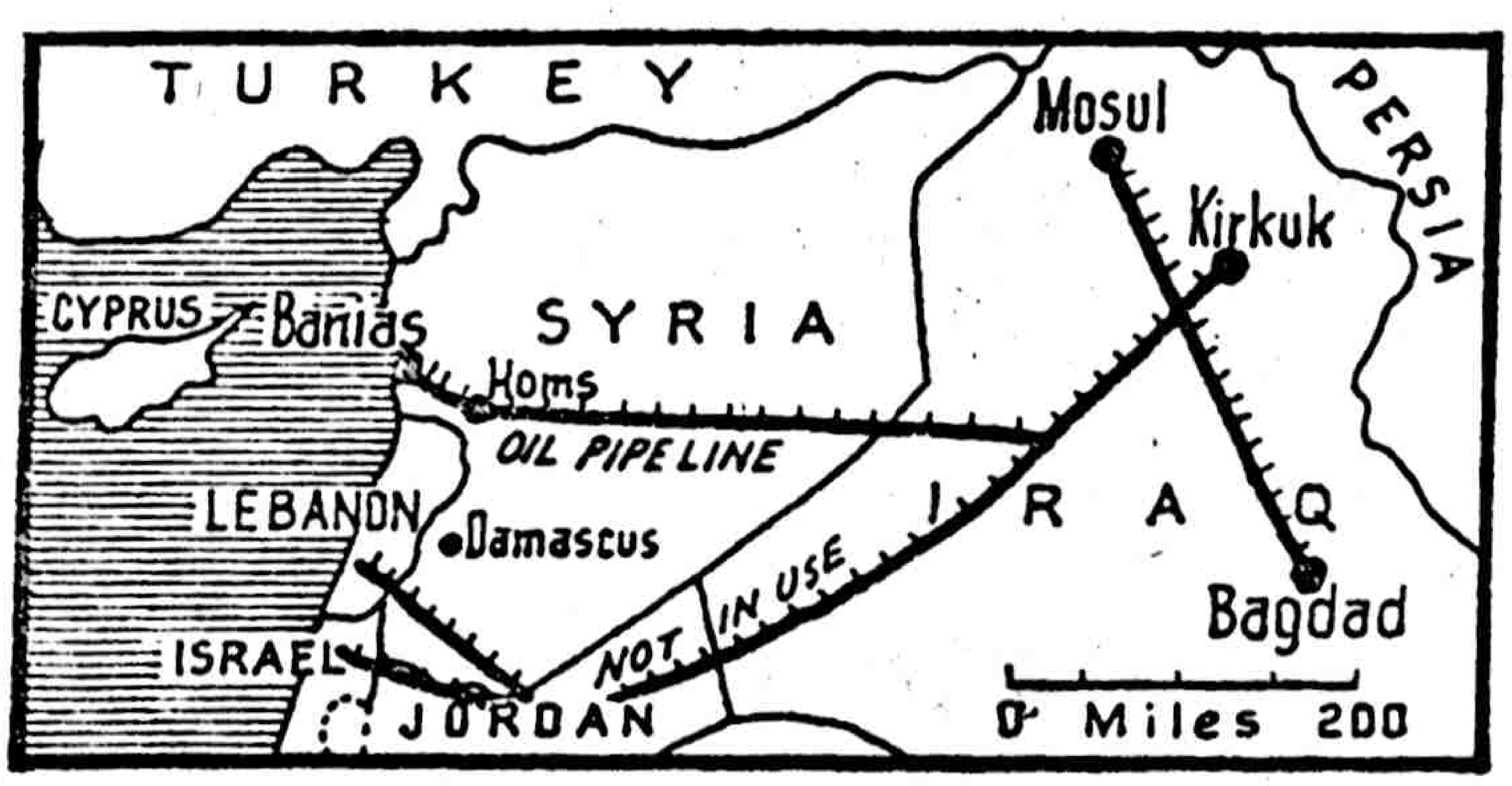
At a time when the ruling Ba'athists are supposedly purging Iraq of all "spies, agents, and saboteurs," it has the embarrassing task of explaining to the people how its enemies managed to strike at perhaps the most obviously tempting target in the whole country. Oil royalties, running at over £200 millions a year, are the backbone of the country's far-from-healthy economy.

Whoever carried out the sabotage did so in spite of the bristling security precautions which the Ba'athists have introduced in the oil zones. Nor was the sabotage a hit-or-miss affair. It is easy enough to blow up a pipeline—and easy enough to repair it—but the stabilisation plants (where sulphur is extracted from the crude oil) which the saboteurs chose as their target are a vital piece of equipment where a few well-aimed shells can play havoc with the whole oil-producing operation.

It is widely assumed that the irrepressible Kurdish rebels of the mountainous North are behind the deed. President Bakr's tyranny has managed to antagonise General Mustapha Barzani and his men like almost everyone else.

The sabotage comes amid signs that the Kurds are growing impatient with what they regard as the failure of the Central Government to fulfil its pledges, as defined by the former Prime Minister, Dr Bazzaz, in 1966, to grant them a certain degree of local self-government.

If the Kurds have hit vital oil installations once they can do so again. The Iraqi Government must be very worried.



The damage may not in fact be as severe as this, according to BP. ? 7/3

Mr. B... 7/3
Mr. Ellingworth
Cutts
6/3
P.a.
13/3

TOP COPY

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MC

CYPHER/CAT -A-
IMMEDIATE BAGHDAD
TELEGRAM NUMBER 279

TO FOREIGN AND COMMONWEALTH OFFICE
7 MARCH 1969

RECEIVED IN ARCHIVES No. 45
11 MAR 1969
ML 359/12

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ADDRESSED TO FCO TELNO 279 OF 7 MARCH RFI TO TEHRAN PARIS THE HAGUE AND WASHINGTON.

attached TEHRAN TELNO 198 TO FCO: IRAQ OIL.

IPC MANAGEMENT HERE INFORM US THAT THROUGHPUT SHOULD BE BACK TO NORMAL BY 9 MARCH ALTHOUGH SULPHUR LEVEL WILL BE HIGHER THAN IN PAST.

FCO PASS IMMEDIATE TO TEHRAN AND ROUTINE TO PARIS THE HAGUE AND WASHINGTON.

MR. EVANS

[REPEATED AS REQUESTED]

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CYPHER CAT/A

IMMEDIATE TEHRAN TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 198 6 MARCH 1969

CONFIDENTIAL

RECEIVED IN ARCHIVES No. 45
-6 MAR 1969
ML 324/1

ADDSD TO FCO TELNO 198 OF 6 MARCH RPT PARIS THE HAGUE WASHINGTON AND BAGHDAD.

74

MY TELNO 188 (NOT TO BAGHDAD): IRAN-CONSORTIUM RELATIONS.

O'BRIEN , WHO HEARD IT CONFIDENTIALLY FROM B P SOURCES, HAS JUST TOLD ME THAT THE KURDS HAVE BLOWN UP A PROCESSING PLANT IN KIRKUK SO SEVERELY THAT THE EFFECT COULD BE TO REDUCE I P C PIPELINE THROUGH-PUT BY 50% FOR AN INDEFINITE PERIOD. AND THAT THIS, IF TRUE, WOULD RESULT IN A SIGNIFICANT INCREASE IN OFFTAKE FROM IRAN DURING 1348.

2. ASSUMING THAT REPORT IS CORRECT THIS IS BOUND TO ALTER THE POSITION HERE AND REINFORCES THE CASE FOR FLEXIBLE TACTICS ON THE PART OF THE CONSORTIUM.

3. THE SHAH WILL DOUBTLESS FOCUS HIS ATTENTION ON CAPACITY AGAIN. ON THIS, O'BRIEN BELIEVES THAT HE COULD AT 48 HOURS NOTICE AND WITH A BIT OF LUCK GET UP TO 3.6 OR 3.7 MILLION BARRELS PER DAY (INCLUDING DOMESTIC PRODUCTION).

4. THE VISITING CONSORTIUM TEAM ARE STILL IN THE SOUTH. I SHALL BE TALKING TO THE BRITISH COMPONENT (INCLUDING STEEL) ON SATURDAY, 8 MARCH AND I SHOULD BE GRATEFUL FOR ANY FURTHER INFORMATION AVAILABLE OR GUIDANCE YOU MAY WISH TO GIVE ME BY TOMORROW NIGHT.

FCO PASS IMMEDIATE WASHINGTON AND BAGHDAD AND PRIORITY TO PARIS AND THE HAGUE.

SIR D. WRIGHT

/REPEATED AS REQUESTED/

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FINANCIAL TIMES

Cutting dated - 8 MAR 1969, 19

6

IPC to normalise output in Iraq

BY OUR MIDDLE EAST CORRESPONDENT BEIRUT, March 7.

IRAQ PETROLEUM Company hopes to resume normal operations in Iraq within seven days, a company spokesman said to-day.

He said that operations have been reduced by 50 per cent. as a result of sabotage acts against its installations at Kirkuk in north Iraq last Saturday night.

The spokesman had earlier said that some unknown persons fired numerous shells from outside the company area, hitting the process plant.

Informed oil sources here said that the attack inflicted serious damage on the company's 12 units which extract sulphur impurities from crude before it is exported.

They said that unit No. 12 was completely knocked out while other units suffered varying degrees of damage.

The sources expressed the opinion that IPC may export oil with higher sulphur deposits than it had done in the past if operations are to be resumed within one week.

He explained that complete repair of the damaged equipment will require installation of new spare parts which will probably have to be airlifted.

There is still no word from Baghdad about the sabotage incident. Observers agreed with the general feeling that Kurdish insurgents in northern Iraq were responsible for the attack.

They said that shells must have been fired from hills which overlook Kirkuk.

Some reports said that the Iraqi authorities have tightened security measures around all oil installations in Iraq.

Unauthorised persons will have to get special official permits to be admitted into oil compounds. Similar measures were taken in December, 1967, when unexploded sticks of dynamite were discovered near an oil pipeline in the Kirkuk area.

Mr. Brant
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13/3

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Cypher/Cat. A.

PRIORITY BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

Telno. 293 12 March, 1969.

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TOP COPY

Addressed to FCO telegram No. 293 of 12 March, Repeated for information Saving to Washington, Paris, The Hague, Tehran.

5 My telegram No. 279: Iraqi oil.

There was a full-scale alert in Kirkuk on the night of 10 March, as the security authorities there were apparently anticipating a further attack on the processing plant. I.P.C. started to shut down their operations on military advice, but fairly quickly resumed them.

FCO please pass Saving to Washington, Paris, The Hague and Tehran.

Mr. Evans

[Repeated as requested]

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(8)

H.E.
H. of C.
Mr. McNaught
Mr. Hamilton

Raid on Kirkuk

Mr. Doyle came to see me this morning and gave me the following information concerning the attack on the processing plant at Kirkuk on Saturday 1 March:

(a) the attack took place in the evening at about 10.00 p.m. Mortaring went on for about 45 minutes and 36 hits were counted. A number of unexploded mortar bombs were removed by the army;

(b) the mortaring caused fires and explosions and two processing plants numbers 6 and 12 were damaged. Number 12 is a larger plant and may well be a "wright off". If it is, it will require about £1½ million to replace and work may take anything from 9-15 months. Plant number 6 is a smaller unit and is probably not a wright off. This however, supplies the crude for the Daura refinery in Baghdad. I.P.C. officials are inclined to think that the selection of number 6 as a target was haphazard rather than related to its supply of Daura since this refinery can easily be supplied by other plants which were not affected;

(c) the Company will be able to continue pumping for about three days from

.../storage

CONFIDENTIAL

storage tanks, but thereafter would have to assess the position. They do not yet know whether the quantity of oil which they can pump will be reduced, but the sulphur content will be higher by about .01%. Although the sulphur will still be under 2% it could have awkward repercussions since the refineries buy the Kirkuk oil for its specific qualities;

(d) this attack is the most serious one made on I.P.C. installations. During 1967 and 1968 the Kurds made various attacks on degassing stations and in 1968 also on pipes between degassing stations and the processing plant at Kirkuk. The present attack takes things one stage further.

(D. F. Hawley)
3 March, 1969

c.c. R. H. Ellingworth, Esq.,
Commodities and Oil Department,
Foreign and Commonwealth Office.

Reference ~~~~~~ (9)

Mr. Brant DB 10/3

Mr. Morland 11/3 (P.U.S.D.)

Mr. Hinchcliffe (N.E.D.) 11/3

NEBOS (P.U.S.D.)

This was the advanced warning we received of the Kurdish attack on the I.P.C. installations. I know nothing of the background mentioned in para. 4 but can go into this later.

Our information about the raid is contained in Baghdad telegrams to the F.C.O. nos. 262 and 279 and Baghdad telegram to M.O.D., FOH 978530Z. The latest information is that throughput should have returned to normal by yesterday although sulphur level will still be higher than in the past. At the most,

ML 359/2 - 16

ML 359/2 5

therefore, eight days' production has been lost (perhaps 9 million barrels or 1¼ million tons) as opposed to the guess given to us earlier in the week by the oil companies (30 million barrels or 4 million tons).

P. G. Wallis
(Oil Dept.)
10/3

~~Mr Wallis~~ <u>Oil Dept</u>

We spoke. You undertook to try and find out from IPC ([illegible])

(a) Whether or not IPC have had direct approaches from the Kurds

(b) How concerned IPC are about future attacks.

[illegible]
NED 12/3

Reference ~~9~~

10

~~11~~

File adjusted.

See file record for re-distribution

21/3

I spoke to Mr. Bird (I.P.C.) and then to Mr. Hinchcliffe (N.E.D.)

It is some time since I.P.C. received warning from the Kurds about the possibility of attacks. They passed the letter, on that occasion, to the Iraqi government and would do the same again.

The company can only wait and see whether further attacks take place. They are not complacent but can only hope that production will not be significantly interrupted.

The company has no firm evidence that the attackers recently were Kurds but they share the assumption.

RD
14/3

PEW

I'm puzzled by your ref to NEB 50, otherwise 2 attached minutes fit well on ML 359/1. Is it a ref. to a foreign file — N.E.D. perhaps?

T.D.

NEB 05 is a FUSD file. These minutes belong to ML 359/2

RD

Reference

Registry.

Folio (10) below goes wider than the Kirkuk raid and must go on ML 359/1.

· Folios (9) and (11) on ML 359/2 go together and the reference is to another file not to folio (7).

Sorry. This is difficult.

RD

bi

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] [$ 38.7 m.] [E

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[$ 57.9 m. E

~~band~~ $ 168 m.

band $ 182.2 m.

$ 207.4 m.

$ 300 m.

$ 232.6

$ 257.8

Enter ML (12) 17/3

IRAQ PETROLEUM COMPANY, LIMITED

33 CAVENDISH SQUARE LONDON WIM OAA

TELEPHONE 01-629 9405 TELEX 22266

TELEGRAMS Inland PETRIRAQ LONDON TELEX Foreign PETRIRAQ LONDONWI Code BENTLEY'S SECOND PHRASE

14th March, 1969.

IRAQ OIL - FEBRUARY 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for February, and the totals for the first two months of 1969 are as follows -

	Production February 1969 Long Tons	(1968)	Production Jan.-Feb. 1969 Long Tons	(1968)
IRAQ PETROLEUM COMPANY, LIMITED	4,415,000	- 2%	9,217,000	+ 2%
BASRAH PETROLEUM COMPANY LIMITED	1,206,000	+ 0.8%	2,392,000	- 10%
MOSUL PETROLEUM COMPANY LIMITED	102,000	- 5.5%	212,000	- 5%
	5,723,000	- 1.7%	11,821,000	- 0.7%

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IRAQ

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ECONOMIC DEVELOPMENT PLANS IN OIL EXPORTING COUNTRIES
AND THEIR IMPLICATIONS FOR OIL PRODUCTION TARGETS
by Marwan Iskandar

(The following is the text of a paper delivered by Mr. Marwan Iskandar at the Third Seminar on the Economics of the International Petroleum Industry at the American University of Beirut on 26 February 1969. Mr. Iskandar is a petroleum consultant and Editor of the Economic and Financial Review of the Beirut daily al-Nahar.)

One of the most important factors influencing the policies of the major oil exporting countries is government ownership of mineral wealth and consequently its appropriation of revenues from oil production activities. Government ownership of mineral wealth and title to income therefrom has put the governments of the major producing and exporting countries in a particularly sensitive and strategic position vis-à-vis economic development requirements.

IRAN

On the basis of its recent experience and its desire for rapid growth, the Government of Iran adopted for the five-year period from 21 March 1968 a fourth development plan that has a 9% average annual GNP growth target. This target is taken very seriously by the Government of Iran which has decided to bring about fundamental political changes through economic development. The fourth plan builds on the experience gained from previous plans. On the basis of figures available the annual average rates of growth of gross domestic product at market prices have been as follows:

Average Annual Rates of Growth of GDP in Iran at Market Prices (1)

Year	% Growth
1962	3.5
1963	7.3
1964	6.8
1965	10.6
1966	10.5
1967	9.8
1968	10.2 (est.)

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Important as oil revenues are in relation to the GNP, they figure more prominently in budgetary revenues (ordinary and development budgets). Also foreign exchange resources from oil operations, which include, besides revenues paid to the government, purchases of Iranian currency by the oil companies to meet local expenditures, are very important for sustaining imports.

Oil income accounted in the period 1958/59-1962/63 for 45% of total general government revenues. (2) In 1963/64-1964/65, this proportion increased to 50% of general government income. By 1967, the contribution of oil revenues to the ordinary and development budgets together amounted to nearly 55%.

The importance of foreign exchange receipts to the balance of payments of Iran is emphasized by the fact that commodity imports increased from $ 485.6 million in 1963/64 to $ 633 million in 1964/65, $ 792 million in 1965/66, and $ 967 million in 1966/67. Commodity exports other than oil moved from $ 97 million in 1963/64 to $ 89 million in 1964/65, to $ 152 million in 1965/66 and $ 144 million in 1966/67. During the period 1963/64-1966/67 imports doubled, whereas exports increased by 48%. In absolute terms the $ 47-million increase in the yearly volume of exports between 1963/64 and 1966/67 constituted only 9.8% of the $ 483.6-million increase in imports.

If Iran had not received in 1964/65 special payments from bonuses paid by new concessionaires for offshore areas and increased revenue from expensing of royalties, the deficit of $ 595 million on account of goods and services would have created a serious drain on the foreign exchange assets of the country. These amounted to $ 554 million on 20 March 1965, and compared with an external public debt of the order of $ 408.7 million at that time. Foreign exchange assets could suffice to support imports at the level of 1964/65 for six months only. At the end of 1967, gold and foreign exchange reserves amounted to $ 297 million and were sufficient to support Iran's imports in 1968 for approximately three months only.

The Government of Iran exercises a degree of control over imports which enables it to limit the deficit in the balance of trade. In recent years it has followed fairly liberal policies in relation to imports of non-luxury consumer goods not produced in Iran or of which not enough are produced. Such policies were necessary to combat inflationary pressures which subsided in 1967. Nevertheless, if imports continue to increase at a fast rate, Iran must increase its oil exports and/or offer new concessions in order to benefit from initial bonuses and subsequently larger sales as resources are found and developed.

When the third plan started in late September 1962, Iran was applying a stabilization program to eliminate the harmful effects of inflationary price increases which occurred in spite of the open door commercial policy followed by the government and a decline in the price of imports. "The cost of living index rose about 40% in five years. In two years (1959/60-1960/61) the increase was 26.5%. The prices of goods and services with an inelastic supply such as food stuffs and rent rose more than the average." (3)

The method of financing the seven-year development plan which ended in September 1962, together with structural difficulties in increasing production, contributed to the process of inflation. For the duration of the third plan which ended in March 1968, the pattern of finance would not have improved had it not been for a substantial boost in oil revenues, due to the royalty expensing agreement of 1965 and much higher Iranian oil exports in 1967 partly stimulated by the IPC-Syrian pipeline stalemate and the aftermath of the Arab-Israeli war.

Structural difficulties appeared to be less acute as high growth rates were achieved in 1966 and 1967, and there is reason to believe that a 10% growth in GNP will be achieved in 1968 with price stability.

The last three years of the third development plan, which ended in March 1968, encouraged the Iranian Government to believe that both financial and structural obstacles to development are amenable to change. During this period the GNP rose at a rapid rate and inflationary pressures were contained. This was achieved by liberalizing import policies and covering the growing deficit in the balance of trade by increased oil revenues and foreign borrowings.

For these reasons and the feeling that Iran has begun to overcome structural obstacles to development, the Government of Iran is very intent on achieving the fourth plan targets. To support developmental efforts, the Shah announced three additional programs in his address to Parliament on 6 October 1967. These programs aim at improving governmental organization and administrative efficiency, urban and rural development, and nationalization of water resources. All these areas have been severe bottlenecks for development. In the first two areas substantial improvements have taken place, while the nationalization of water resources will enable the government to improve its agrarian reform plans and to realize its plan for complete electrification of the country by 1972. (4)

In a country like Iran, where 70% of a total population of 24-25 million derive their livelihood from agriculture and reproduce at a net rate of 2.6% per annum, higher productivity in agriculture is a pre-requisite for development. And this is all the more important because additional lands which can be brought under cultivation in Iran are of marginal quality and would require considerable outlays if yields are to be maintained at the level of non-marginal lands. The extent of expansion, moreover, is limited to 36% of the total area cultivated in 1960.(5) Iran's most important rural problem can only be solved either by more intensive use of the existing resources or a diversion of the surplus manpower from agriculture to industrial occupations. Developments along these two lines had been taking place in the past. (6) From 1960 and up to 1964 the progress in these directions was not fast. The implementation of land reform as of 1962 required time to produce results. The ordinary difficulties that accompany a fundamental social and economic change were compounded by the droughts of 1962/63-1964/65 and cold winters in which a large proportion of livestock perished. (7) By contrast, the land reform movement achieved a notable success in the past three years. The first two phases of land reform, involving the redistribution of ownership and tenure, have been virtually completed with encouraging results.

To assess the degree of dependence on oil revenues and thereby throw light on the increase in oil production expected by Iran in the coming five years, one has to review the targets of the fourth plan and the financial constraints which dictate a certain range of dependence on oil revenues.

Total developmental spending of $ 10.8 billion over the next five years is called for by the plan, of which public sector investment is to account for $ 6.4 billion, more than double the level set for the seven-year third plan just ending. An increase of this size will mean more public investment in almost all fields, with agriculture and irrigation combined receiving the lion's share of 23.5%, followed by industry and mines (excluding oil and gas) with 20.8%, and by roads, ports and airports with 16.7%. In addition to foreign credits and some lesser drawings from treasury bills and the Central Bank, the plan clearly places heavy reliance on continued rapid expansion of oil revenues, of which the Plan Organization will

continue to receive 80%. In 1967, there occurred an extraordinary jump in oil revenues of about 21% from about \$ 581 million in 1966, from the Consortium alone, to \$ 712 million, due largely to enhanced dependence on Iranian crude during the IPC crisis and the aftermath of the Arab-Israeli conflict. Maintenance of such an exceptional growth rate cannot be expected. While the Iranian Government will look increasingly for oil income derived from the crude exports of non-Consortium companies, it is also clear that the government anticipates for the fourth plan a higher rate of increase in revenue from the Consortium than the average of 12% achieved during the four years preceding 1967. This position was repeatedly expressed before and during the negotiations concerning future rates of production, which produced an agreement whose terms were not made public. However, from general statements by representatives of the government and the Consortium, it seems that agreement was reached for increasing production over the next five years by more than 12% a year, and less than the 17% which was requested by Iran.

From the current five-year plan allocations and requirements, and the trade and assistance agreements concluded with Eastern European countries, it seems that Iran will drive for a 12-14% annual rate of increase in its petroleum production intended for export to the non-communist world.

IRAQ

Over the past 10 years oil revenues have accounted for over 80% of total government revenues in Iraq. Between 1952 and 1962 the contribution of the oil sector to Iraq's national income remained in the region of 22%. In 1963 this contribution rose to 29% due to a fall of 2.6% in the national income and an exceptional increase of 15% in oil revenues. (8) By 1965 the oil sector's contribution was again in the region of 22% and this order of magnitude is still assumed to persist.

The importance of the oil sector to Iraq's development is far greater than is portrayed by its contribution to the national income. Government resources financed expansion of the electricity and water sector and the public administration sector, both of which were amongst the fastest growing sectors in the economy. More than 80% of government revenue was derived from oil and made possible high rates of expansion in sectors financed by the government. Also, foreign exchange resources which derived from oil and made possible a fast expansion in imports undoubtedly contributed to the rapid expansion of the banking, services and transport sectors.

Iraq's major economic problem, like that of Iran, is to raise productivity and income in the agricultural sector and to develop its industrial base for purposes of diversification and absorbtion of manpower. Over 60% of Iraq's 8.2 million population (9) derive their livelihood from agriculture. The proportionate contribution of agriculture to total value added in the economy has been on the decline which probably means, for a fast-growing rural population, a severe worsening of already depressed living standards. Unlike Iran, however, agricultural production in Iraq can be substantially increased through better use of fertilizers and, most importantly, a better irrigation and drainage system. In industry, however, Iraq's possibilities are far more restricted than Iran's. Agricultural productivity in Iraq has declined mainly because of increasing salinity. (10) This fact has been emphasized by every expert asked to study Iraqi agriculture. In recognition of the importance of this factor, the five-year development plan for the period April 1965 to March 1970, with projected total development expenditures of

ID 561 million, allocated over ID 77 million (1 ID = 2.80 US dollars) to irrigation and drainage. (11) Due to the fact that industrial projects are still few, concentrated in the oil sector and far behind schedule, the primary problem in Iraq has been that of agriculture.

Agricultural production in Iraq was previously sufficient to cover the requirements of the Iraqi population for food and leave a substantial surplus for export. Since 1960 the position has been reversed, and Iraq has been importing increasing quantities of food. If this trend is to continue in the future, Iraq will have to resort to increasing its revenues from oil either by increasing the rate of exports projected in the plan and/or by raising per-barrel income. In other words the only substitute for higher agricultural production is increasing dependence on food imports which signifies greater reliance on oil revenues, especially as Iraq's external debt increased substantially between 1959 and 1965 and up to 1968. This trend restricts future foreign borrowing ability and the amount of net foreign exchange resources available for supporting imports of consumer and producer goods and services. Oil exports have accounted in the past five years for 90.5% (in 1962) to 92.1% (in 1966) of Iraq's total exports. It should be remembered in this connection that Iraq imposes severe restrictions on imports, but that despite these restrictions the trade gap would have amounted to $ 361 million in 1964, $ 391 million in 1965 and $ 419 million in 1966, had it not been for oil exports. (12)

The five-year development plan aims at achieving a rate of growth equivalent to 8% per annum and to change the structure of the economy to lessen dependence on oil revenues for foreign exchange and income. Consequently, the plan gives a high priority to the commodities sectors and aims to increase agricultural production by 7.5% a year and industrial production by 12% a year. (13) The overall rate of growth compares with a 7-8.5% real rate of growth for the period 1954 to 1963. It is noteworthy however that agricultural growth was slack during the period at 1.5%.

The following table provides a breakdown of the revenue sources for the plan and further emphasizes the importance of oil revenue as the principal source of development finance in Iraq.

Iraqi Plan Revenue Sources
(Plan Period April 1965 - March 1970)

Revenue Sources	Thousand ID
Plan revenue from oil calculated at 80% of income tax on oil companies	390,000
Surplus transferred on 31.3.65	30,697
Contribution of Iraqi port authorities to plan projects	8,000
Contribution from Profits of Government Agencies	4,000
Other income	3,470
Foreign debt	95,000
Local debt	30,000
Total	561,167

The foreign exchange requirements for plan investments stand at ID 345 million, which factor emphasizes that if there should be any shortfall on account of net foreign debt or if agricultural production fails to increase by the projected rate, oil revenues provide the last resort for closing development gaps. Moreover, if ordinary (non-oil) government revenues fall below expectations, again oil revenues will have to provide the remedy. In 1965, ordinary government expenditures exceeded revenues by far mainly because of the Kurdish war in Northeast Iraq. While military expenditure in respect of the Kurdish problem has declined in recent time, additional expenditure has been incurred on the maintenance of Iraqi troops in Jordan since June 1967.

During the first two years of the latest development plan agricultural production did not increase at the rate projected. This was because the Agrarian Reform Law of 1958, by increasing the number of persons who take decisions on agricultural production, made the task of communicating the instructions on use of fertilizers, irrigation and drainage a virtual impossibility for available trained personnel. Moreover, the progress of work on major irrigation schemes has been much slower than was provided for in the plan. Consequently, Iraqi planners do not envisage any substantial increase in agricultural production in the near future.

The plan projections were based on a 6% growth rate in oil revenues. It was clear, however, that this expectation would prove short of what was required in case financial and productivity lags emerged. Such shortfalls did in fact arise. In the first place, though oil income did rise in 1966 by 7.2% over 1965, in 1967 it fell by 13.9% from its 1966 level. The deadlock between Syria and IPC over transit royalties contributed to this outcome and the Government of Iraq, in dire need of financial resources, settled for an advance payment of ID 14 million in May 1967, a month after pumping operations through Syria were resumed.

In the first budget year (1965/66) after the initiation of the plan, revenues and expenditures were estimated at ID 247.9 million and ID 221.9 million respectively. A deficit, however, emerged in that year, because of the Kurdish war, and the government signed a new economic cooperation agreement with the USSR in March 1965, under which long-term credits were to total ID 100-120 million. Further revisions were brought about in the summer of 1966 as Iraq's financial difficulties became more pressing. Government revenue at ID 244.1 million fell far short of government expenditure at ID 316.3 million in the budget year 1966/67. This pattern of deficit financing was incorporated in the budgetary allocations for 1967/68 with revenues at ID 257.2 million and expenditures at ID 323.2 million.

Negotiations between Iraq and the oil operating companies on the question of acreage, past accounts and future joint ventures had produced tentative agreement in September 1965, but ratification of this settlement was blocked by political difficulties. Oil income per barrel under the agreement would have increased retroactively by 5% for 1964, 5.6% for 1965, and some 6.2% in 1966. These increases would have been carried further by the provisions of the 1968 expensing agreements. The present government, hard pressed for urgently needed funds for development, is still negotiating with the IPC group of companies, but the outcome is hard to predict.

Iraq's long-term oil policy objectives have not been spelled out and accepted for any sufficient length of time. In 1965, the Iraq National Oil Company produced a paper designed to provide a policy statement at the First Congress of Arab Economists held in Baghdad in November 1965. Later, the management of INOC was taken to task by the radical groupings who came to control the national company and who negotiated the ERAP agreement. The radicals opted for direct exploitation of resources by dependence on technical contractual services. This approach was sanctioned by legislation promulgated in 1968, but its implementation in practice could produce any one of many approaches.

Iraq's oil policies have been allowed to be influenced by "public opinion" which is none too well informed about the issues involved. In consequence, successive Iraqi regimes have tended to incline before so-called popular demands, i.e. direct exploitation of resources and possibly nationalization. By contrast, Iraq's development programs, already at least two years behind schedule, press on the government to reach a settlement with IPC. It seems likely that any agreement, in order to be satisfactory to the hard-pressed Iraqis, must reintroduce the principle of joint exploitation, whether it be described as a contract or concession. On the other hand, Iraq's position vis-à-vis IPC is weakened because of its financial needs (Iraq stands to obtain at least $ 250 million in arrears payments in case a settlement is reached) and because the IPC parent companies have developed, either separately or jointly, new oil reserves in Abu Dhabi, Oman and Libya, and committed themselves to high rates of production in Iran.

There is certainly no lack of oil resources to support future oil production growth in Iraq. The rich North Rumaila field alone could be put into production fairly rapidly and raise Iraq's total output by one-third in the next few years. And there are plenty of other likely oil prospects in South Iraq, some of which are currently being explored by ERAP on behalf of INOC. But the actual growth of production will of course depend on the type of development arrangements which the government finally decides to adopt.

KUWAIT

Income per capita in Kuwait is the highest in the world at over $ 3,000. Twenty years ago, the economy was essentially based on pearling, fishing and gold trading. Government receipts from oil in 1964/65 amounted to KD206.2 million (1 KD = $ 2.80). Latest figures, according to preliminary results of a population census conducted in April 1965, put total population at 467,789 of whom 47% are Kuwaitis and 53% non-Kuwaitis, mostly Arabs. (14)

The Kuwait economy (i.e. GNP) in the past ten years grew at a rate of 8-10% per annum. Oil revenues in the same period grew at an annual compound rate of 9.2% per annum and have come to account for 61% of the Gross Domestic Product and 39% of the National Income which amounted to KD 580 million in 1965. (15) In 1966 and 1967 the rates of growth tapered sharply as oil production and revenues increased at lower rates than in the previous period. Kuwait's oil income enabled the Kuwaitis to import all the human skills necessary for assisting the rapid technical transformation of the country. And since the economy had no base in agriculture or industry (outside the oil sector), imports mounted to the level of KD 116 million in 1964/65, the equivalent of over KD 260 per capita, or the highest level in the world.

Abundant financial resources coupled with the lack of natural resources other than cheap gas and oil inevitably led to massive waste as a result of governmental practices. (16) It is sufficient to mention here that of a total labor force of 183,000 or, 39% of total population in 1965, over 70,000 were on the government payroll. All unemployed Kuwaitis are provided with government employment as a matter of policy. Another policy followed by the government in order to distribute income was to purchase urban property from Kuwaitis at high prices and resell such and/or other properties to them at token prices. "This method has allowed (between 1957 and 1965) for the diffusion of $ 1,000 million among the general population." (17)

The harmful consequences of this method have led Kuwait's planners to advise in favor of cutting down such disbursements from their projected level of KD 79.2 million in 1965/66 to KD 35 million in 1966/67 and eventually KD 15 million in 1970/71. Such has become the importance of these land purchases that it is very hard to eliminate them altogether in a short time.

In spite of these practices and generous social services for all residents and a high level of per capita imports, the Government of Kuwait accumulated considerable reserves and was able to set up in December 1961 the Kuwait Fund for Arab Economic Development (KFAED) for the purpose of promoting economic development in Arab countries through provision of loans for execution of projects that earn an acceptable rate of return on investment. The Fund has an initial capital of KD 100 million and can issue bonds up to KD 200 million. Already this Fund has granted loans of the order of KD 45 million while loans from general reserves are of the order of KD 105 million.

In spite of heavy dependence on imports and the granting of substantial loans, the net foreign exchange assets of Kuwait amounted in early 1965 to over KD 535 million or about 4.5 times the value of total imports in 1964. Of these reserves, 60% were held by the government in foreign treasury bills and 7% by the Currency Board. The remaining reserves were held by commercial banks. In addition, it is estimated that Kuwaiti nationals have invested in foreign countries no less than KD 350-400 million.

Kuwait appears to have no financial or economic difficulties which are likely to press on its government for greater reliance on oil revenues. It is advisable, however, that fiscal restraint and lower expenditures on land redistribution in the future should be accompanied by the building up of reserves.

In 1965, the Kuwait Development Board finalized the first five-year economic and social development plan. The plan aimed at increasing income between 1965/66 and 1970/71 at the rate of 8.5% per annum and at diversifying the economy in order to decrease the dependence on the oil sector. But in spite of channelling KD 100 million into industrial investment, of which KD 72 million will be allotted to petroleum and petrochemical industries, the contribution of industry to the national income will still be in the region of 4.2% in 1970/71 as compared with 3% in 1965/66. The contribution of the oil sector will still be of the same order of importance both to budgetary revenues (95%) and the national income (nearly 40%). Such diversification as is hoped for can only materialize after 1970/71 and the Kuwaiti economy "cannot do for many years to come beyond 1970/71 without substantial foreign investment, especially in Arab countries. Otherwise, the excess of domestic savings over investments would be sterilized in the form of banking deposits in Kuwait." (18)

In spite of abundant financial resources, Kuwait adopted a definite claim for production increases. These were summarized in an internal paper prepared for the Kuwait Planning Board in 1966 thus: "Kuwait will wholeheartedly cooperate in any scheme designed to stabilize realized prices of crude by appropriate regulation of production, provided it is accorded its just share of the planned annual growth of production." (19) This rate of growth is estimated in the light of forecasts that demand for oil will increase until 1970 at the rate of 6% per annum. To meet this increase in demand Middle East production will increase by 8¾% per annum (p 4). Consequently, the study suggests "that on purely economic and technical criteria, Kuwait has an unassailable case for an 8% annual compound rate of growth during the five years of the plan" (p 13).

Since the launching of Kuwait's plan, many developments have affected Kuwait's financial resources and commitments. Production increases in Kuwait fell short of the average for the whole Middle East area in 1966 and 1967. In comparison with an overall Middle East rate of increase in production of 12% in 1966 and 7% in 1967, Kuwait's production increased by 5% and ½% in these years.

The Arab-Israeli war and the closure of the Suez Canal in June 1967 diverted oil production increases to Iran and Libya. Due to Iran's recent agreement with the Consortium on production increases and the prolonged closure of Suez, the lag in Kuwait's production gave cause for worry over long-term prospects. Moreover, Kuwait had committed itself as of September 1967 to support Jordan and the United Arab Republic to the extent of $ 154 million a year.

Kuwait, Saudi Arabia and Libya pledged themselves to provide £95 (predevaluation) million to the United Arab Republic and £40 (predevaluation) million annually to Jordan for purposes of reconstruction and until such a time as the difficulties faced by the two countries as a result of the war are overcome. The overall aid figure was divided between the three major Arab producing countries in the following order: Kuwait, £55 million; Saudi Arabia, £45 million; Libya, £35 million.

In consequence of this commitment and small increases in production and revenue Kuwait has failed to build up its reserves in the past two years. Moreover, it witnessed fairly permanent increases in production in Iran and Libya which restricted the potential for increasing its own production.

Serious concern about these developments prompted Kuwait to seek two objectives: broadening of the base for providing inter-Arab aid by the creation of a joint Arab social and economic development fund which would relieve the Kuwait Fund; and a commitment by KOC, the major concessionaire, to increase production over the coming five years at no less than 8% per annum. Negotiations with KOC during 1968 are reported to have produced agreement on a program providing for 6% annual compounded increases in production over the next few years. This rate conforms to the rate allocated previously by OPEC to Kuwait for the second year of production programming. The significance of this rate is that it represents the lowest rate of increase in production and/or income which would leave Kuwait undisturbed about its future prospects.

LIBYA

According to the World Bank Mission, "the value of Libya's gross domestic product in 1958 has been officially estimated at about £L 52 million (20) (equivalent to about £L 43 or over $ 120 per head), and some rough calculations made independently by the mission tend to support this figure as being of the right order of magnitude." (21) Some 25% of the domestic product originated in agriculture, forestry and fishing. (22) The GDP in 1958 differed little from the GNP as foreign transactions were of minor significance as contrasted with the situation to-day.

In 1964/65 (the financial year ending 31 March 1965), the government's ordinary and development budget amounted to £L 162.4 million and were divided between the ordinary and development budget in the following order: £L 76 million and £L 86.4 million. In 1967 petroleum revenues alone, which constituted 75% of the ordinary budgets, totaled £L 170 million.

A five-year development plan, which was no more than an enumeration of projects costing £L 169 million, was put into effect in 1963/64. The launching of the plan coincided with constitutional changes which made Libya a united kingdom rather than a federal state as was the case until 1963. Plan targets have been scrapped as the flow of oil revenues exceeded earlier expectations and caused the government to revise its objective upward. According to the provisions of the Oil Revenues Law No. 79 issued in the Official Gazette on 20 September 1958, 70% of all sums received on account of oil royalties and taxes are to be allocated to development. The remaining 30% are divided equally between the province containing the producing concession and the administration of the federal government.

Increasedoil revenues transformed the Libyan economy from heavy dependence on foreign assistance to close a perpetual trade gap into an economy capable of sustaining a much larger volume of imports while still enjoying a surplus on the balance of payments.

The rapid economic transformation of Libya has not been without some negative aspects. While income per capita, is estimated to be in excess of $ 600, only 40% of Libya's total population, estimated at 1.6 million, have been touched by the change. Inflationary pressures developed and while there was witnessed in 1964/65 a slow-down in the upward movement of prices, the Bank of Libya "continued to emphasize that the onerous task of controlling and eliminating the persistent inflation in Libya devolves on a combination of measures embracing fiscal, physical and monetary controls." (23) Even with the slowdown in price increases and the role played by import liberalization policies the cost of living index rose by a further 15-18% in 1965/66 and 1966/67.

Inflationary pressures have been accompanied by a drastic fall in agricultural production to less than 50% of its level in 1958. Such developments are also harmful to a potential tourist trade that is now given little importance. Agriculture and tourism are the two most important sectors (other than oil) for diversifying the economy of Libya which has limited industrial possibilities with an unskilled small population widely dispersed over a vast area of 680,000 sq. miles. (24)

To counteract inflation and stop migration from agriculture, the government effected substantial reductions in import duties as from 1 January 1965, and imports subject to licensing are now only very few to protect locally produced items. At the same time, the government announced a policy of supporting agricultural prices at levels which will be conducive to increased production. (25) Furthermore, agricultural loans are granted free of interest for periods extending up to 30 years.

Together with these policies, the government is engaged on three major development projects: to build in Libya's three cities and capitals 100,000 housing units; to complete the building of Beida (the third city and newest capital, 120 miles East of Benghazi); and to construct a coastal highway linking Tripoli to Tunis.

These major government projects for development will be difficult to reconcile with the objectives of curbing inflation and the drift from agriculture to towns. Moreover, none of these projects will increase domestic production considerably.

In spite of all these considerations, Libya can expect to support increasing imports and a higher standard of living by depending mainly on oil revenues, and the implications as to the expected rate of production in 1965 were outlined in an internal government paper. (26)

"The major purpose of the study has been to provide a background against which government revenue forecasts for the period 1968/69-72/73 (coinciding with the planning horizon of the Second Five-Year Plan) can be made." (27) According to one of the alternative approaches considered to be the most realistic, future levels of production are forecast"on the basis of the rates of increase experienced in the older producing countries of the Middle East. For each year, the three rates of growth, i.e. for Kuwait, Saudi Arabia and Iran, have been computed, and the median value applied to Libyan prediction." (28) Also, the paper assumed for purposes of calculating future revenues two alternative per-barrel revenue quotations - £L 0.25 and £L 0.30. The Law of November 20, 1965, which enforced on oil companies the expensing of royalties in accordance with the OPEC formula, aimed to enhance per-barrel revenues which are likely to be in the order of £L 0.30/bbl. Consequently, the table below was based in relation to revenue per barrel on this assumption. But all these expectations as to production and revenues were outstripped in reality due to a variety of factors. Of these the most important were rich discoveries made by Occidental Petroleum and accentuated demand for Libyan oil after the closure of Suez.

Forecast of Oil Production and Government Revenue in Libya 1966-73 (29)
(Production in million tons: revenue in £L million)

Year	Production	Revenue	Annual % increase in production and revenue	Annual % increase in revenue
1966	64.8	156.3	11.6	19.7
1967	75.2	178.2	14.0	22.5
1968	86.4	204.9	14.9	
1969	95.0	225.3	10.0	
1970	105.5	250.2	11.1	
1971	118.2	280.2	12.0	
1972	122.6	291.3	3.8	
1973	135.2	320.4	10.0	

Libya's revenue gains reflected not only increased production but also improvement of payments per barrel exported. These payments equalled on average 83.8 cents in 1965 and improved to 87.0 cents in 1966 and 99.7 cents in 1967. Two factors accounted for these improvements: adjusted terms for taxing oil companies which came about from royalty expensing; and lower costs of production.

Due to these unforeseen developments Libya replaced its first plan by a second five-year plan in December 1967. The new plan provided for expansion of expenditure and emphasized development expenditure on public works, communications, agriculture, education and housing. However, before the plan was put into effect, the new Minister of Planning argued for delaying its implementation for one year in order to limit waste, curb inflation and assess the impact of absorbing £L 35 million of aid to the United Arab Republic and Jordan. The Council of Ministers approved this request but Libyan official policy vis-à-vis rates of oil production did not reflect similar caution.

In 1967, not only did Libya's advantageous location boost its prospects after the closure of Suez, but also its reserves were enhanced substantially. All the major producers have assured the Libyan Government that proven oil reserves are far greater than published figures. The average cost of production decreased in line with the rapid rise in volumes lifted, and Libyan projections underwent a dramatic upward revision. In 1968, actual production rose by 49% to an average of 2.6 million barrels daily.

The major policy outcome of recent events is that Libya refuses to bind itself by production programs or other restrictive practices. Officially, the Libyans claim that by implementing posted prices for tax purposes and completely eliminating offset allowances until the reopening of Suez, they have fulfilled their obligation to support international crude prices. Within the limits of good oilfield practice, they prefer to leave questions of production to the judgement of operating companies, as they feel favored due to locational and quality advantages.

SAUDI ARABIA

The Kingdom of Saudi Arabia is the largest producer in the Middle East, and according to official Saudi sources the country has the largest oil reserves in the world. Even on the basis of published figures, Saudi reserves at the end of 1967 stood at a ratio of 80:1 in relation to production. Economic activity in Saudi Arabia mainly responds to the level of government expenditure which in turn is essentially dependent on oil revenues. Payments of royalties and taxes by oil companies to the government have accounted in the past five years for 85% of government revenue, (30) and value added in the oil industry accounts for over 41% of GNP.

The largest single primary income generator is government expenditure which is almost totally dependent on oil revenues. (31) This situation prevails because the base of economic activity is very narrow. And it is not difficult to appreciate why this is so. Human skills are scarce and raw materials lacking, markets are widely dispersed and poorly connected, and there is no organized capital market. In addition to these factors, the topography of the land is not favorable to agriculture, and nomadic tradition runs counter to the requirements of settled agriculture. Nevertheless, the greater portion of the population is engaged in agricultural production and some 12% of GNP originates from agriculture. (32) Recent population estimates suggest that 20% of the population are settled in urban areas, 20% are nomadic tribes, and the rest form the rural population. (33)

Saudi budgetary policies from 1958 to 1962 aimed at achieving budgetary surpluses for settling internal and external public debt incurred in 1956-1958. Inflation, balance of payments difficulties and a fall in the exchange value of the Saudi Riyal (34) dictated the course of budgetary policy followed until 1962, the date when public debt was completely paid up.

Foreign exchange resources available for supporting imports of consumer and capital goods mainly consist of oil revenues, oil companies' requirements for local expenditures and expenditure by pilgrims. The former two items accounted in recent years for 92-94% of foreign exchange receipts, and according to latest available figures, the Kingdom's external reserves have risen continuously in the past five years to a total of $ 866 million in 1967, when imports amounted to $ 508 million. (35)

In the absence of foreign debt and considering that food imports account for nearly one-third of total Saudi imports and that 68% of such imports are given an average subsidy of 16.7% of import value c.i.f., (36) and that other imports are non-restricted, substantial surpluses on the current account seem to indicate a strong position on this score. Yet it is important to determine whether this position will continue to prevail.

Imports in Saudi Arabia are highly dependent on government budgetary policy and this suggests that unless the government resorts to excessive deficit financing, balance of payments difficulties will remain distant. But this evaluation overlooks the changes in the pattern of imports that might accompany larger investment in industry or the allocation of sizeable foreign exchange resources to non-productive expenditures, such as arms purchases.

Serious consideration of industrialization in Saudi Arabia must be based on the possibilities for effective utilization of cheap energy and abundant capital. All other factors are unfavorable. Moreover, industrial development of the country is being undertaken mainly by the General Petroleum and Minerals Organization which fact emphasizes that industrial development possibilities are dependent on the availability of petroleum resources for use in industry and possibly a number of other minerals.

Budgets intended to produce deficits of SR 160 million and SR 70 million in 1963 and 1964 produced surpluses of SR 288 million and SR 250 million respectively. Previous budgets had produced higher surpluses than was intended and deficit financing in 1963 and 1964 would have utilized essentially accumulated surpluses. A similar surplus seems to have occurred in 1965. Budgetary surpluses have been mainly attributable to an inability to absorb development expenditures. This inability pertains to scarcity of skilled man power and the time-consuming nature of requisite studies for economic development. In the two major fields of development "namely road building and water development, considerable effort must go into exploratory and planning studies before large sums can be committed and spent. This has been at the root of the persistent lag in development spending." (37)

Road and water studies have been completed and an economic development program was finalized by a Central Planning Organization established in January 1965 to replace the Supreme Planning Council. There is a great desire for pushing ahead with development expenditure as is clear from allocations for development in 1965, which exceeded SR 1,400 million as compared with SR 700 million in 1964, and accounted for over one-third of total budgetary expenditure. The trend was maintained in 1966/67 when development allocations totaled SR 1,717 million, and during 1967/68 when these allocations rose to SR 2,146 million and constituted 43.5% of total budgetary allocations as opposed to 34.2% in the previous year. (38)

If the process of development is to succeed in bringing a wider distribution of benefits as well as an increase in the income per capita (and we should note that conservative estimates of income per capita for a population of 3.7 million in 1967 were in excess of $400) agricultural income must increase and industrialization should be promoted by private investment partly financed from savings which must be substantial as most of the income generated accrues to a minority group.

Petromin has been wise in venturing into technically complex and capital intensive projects with foreign specialized companies ready to participate in financing and managing such projects. Another commendable feature of Petromin's work has been its readiness to participate with the private sector and even to withdraw from certain projects completely when private Saudi investors negotiate agreements for establishing industrial plants with experienced foreign operators.

A review of all industrial projects under way does not suggest that industrialization in the order contemplated is likely to strain the balance of payments. If industrial projects under way do not strain the balance of payments and if purchases of arms are confined within economic limits, the projected rate of 8% or even 9% per annum growth in GNP (39) can be achieved by an 8-9% increase in oil production if per-barrel revenues remain at their level after the expensing of royalties. (40) Asfour indicates that oil revenues and local expenditures of oil companies have been in the past generation stable functions of oil production. If this stability continues to obtain in the future, and by applying the multiple regression function relating GNP to oil production and expenditures of oil companies developed by Asfour and allowing for changes introduced by the agreements for expensing royalties, the above conclusion is verified.

The discussion so far implies that Saudi Arabia is not likely to press for much more than 8-9% annual increase in oil production over the next few years, unless other considerations affect its policies more than the ones discussed. Apparently, such other considerations have presented themselves, for Saudi Arabia pressed for a higher rate of increase than it was allocated (12%) in OPEC's production program for July 1965-June 1966. (41) At the same time, the offtake arrangements between the Aramco partners were adjusted in September 1965 to give greater incentive for Jersey Standard (30% shareholder in Aramco) and Mobil (10% shareholder) to overlift.

The position taken by Saudi Arabia emphasizes its special circumstances vis-à-vis its main concessionaire company and its rejection of a production program or pattern that would favor Iranian production. Also Saudi declarations concerning reserves and a Saudi proposal to OPEC on factors to be considered in allocating production allowables (42) which emphasized the importance of reserves, needs and geographic area, both point to the possibility that Saudi Arabia is becoming more aware of its time discount rate on the value of future revenues of oil.

FOOTNOTES

(1) For the years 1962-65, figures calculated from IMF statistics on national accounts. For 1966 and 1967 the statistics are extracted from confidential reports which also estimated growth in 1968 at approximately 10%.

(2) Vaqar, Nasrollah, "Economic Development in Iran and the Financing of the Gap in the Third Plan," Middle East Economic Papers, 1964 (Economic Research Institute, American University of Beirut, 1965).

(3) Ibid.

(4) Information from Confidential Report on Iran Economy. Claims for success in agrarian reform and social services were supported by Charles Issawi in his article "Iran's Economic Upsurge," The Middle East Journal, Autumn 1967, Vol. 21, No. 4.

(5) Mahdavy, Hossein, "Iran's Agrarian Problems and Recent Attempts at Reform" - paper given at the Seminar on Iranian Studies held at Harvard University, April 16-17, 1965.

(6) Ibid.

(7) Issawi, op. cit.

(8) All the statistics relating to national income up to 1963 are taken from a mimeographed pamphlet prepared by Dr. K. Haseeb in May 1964 and entitled "National Income of Iraq 1962 and 1963." National income figures are calculated at constant 1956 prices. Dr. Haseeb in a lecture given in Beirut in June 1967, confirmed the order of importance of the oil sector.

(9) Latest figures issued by the Ministry of Interior in January 1966.

(10) Langley, Kathleen: "Iraq; Some Aspects of the Economic Scene," The Middle East Journal, Spring 1964.

(11) The Five-Year Development Plan, published in Arabic in the Iraqi Official Gazette, Issue No. 1135, 1 July 1965. Figures are calculated on the basis of current prices in 1965.

(12) Figures from OPEC's Annual Statistical Bulletin 1967.

(13) Explanatory Memorandum concerning the general framework for the Plan, op. cit.

(14) Kuwait Development Board: The First Five-Year Social and Economic Development Plan 1966/67-1970/71 (Kuwait Government Press, December 1965, in Arabic) p. 97.

(15) Ibid., p. 26 and p. 63.

(16) For a detailed review of such practices, see Dr. F. Shehab's article "Kuwait: a Super Affluent Society," Foreign Affairs, Vol. 42, No. 3, April 1964, pp. 461-474.

(17) El Mallakh, Ragaei, "Kuwait's Economic Development and Her Foreign Aid Programme," The World Today, January 1966, p. 16.

(18) The Plan, op. cit., pp. 50-52.

(19) An internal paper prepared for the Kuwait Planning Board entitled "Crude Oil and Gas," p. 13.

(20) £L 1 = $ 2.80

(21) IBRD: The Economic Development of Libya; (Johns Hopkins Press, Baltimore, 1960)

(22) Ibid.

(23) Bank of Libya, Annual Report 1964/65.

(24) The importance of agriculture and tourism is stressed by the World Bank Mission, op. cit., and by Abdul Amir Kubbah in his book Libya: its Oil Industry and Economic System (the Arab Petro-Economic Research Centre, Rihani Press, Beirut 1964).

(25) Bank of Libya, Annual Report 1964/65.

(26) The paper referred to was prepared in October 1965 by Mr. G. Heitmann, an economic advis r on oil affairs to the Libyan Government, and it is entitled "The Economics of the Libyan Petroleum Industry."

(27) Ibid.

(28) Ibid.

(29) Ibid.

(30) Based on data extracted from the Annual Report 1386/87 AH (roughly 1967) of the Saudi Arabian Monetary Agency.

(31) Asfour, Edmond: Saudi Arabia - Long Term Projections of Supply of and Demand for Agricultural Products (Economic Research Institute, American University of Beirut 1965) p. 45.

(32) Medawar, George; "Agricultural Production in Saudi Arabia 1380-1383 AH," (Economic Research Institute, American University of Beirut (1964) p. 2. (A preliminary study to the study quoted by Asfour and of restricted circulation.)

(33) Asfour, op. cit., p. 57.

(34) 4.5 Saudi Riyals = 1 US dollar. This rate was established in 1960 following devaluation of the Riyal from 3.75 Riyals to 1 US dollar to the current parity.

(35) SAMA Report, op. cit., Tables VI and XI.

(36) Asfour, op. cit., p. 65.

(37) Ali, Anwar (Governor, Saudi Arabian Monetary Agency) in an address to His Majesty on the occasion of the presentation of the Fifth SAMA Annual Report (1966).

(38) SAMA "Statistical Summary," October 1967, Table V.

(39) A figure of 8-9% in the future (5-10 years) was given in a lecture by Dr. Herbert Woolley, Chief Economic Advisor to the Supreme Planning Board, later the Central Planning Organization, during 1963/64-1964/65, on 8 December 1965, at the Middle East Centre at Harvard University. These rates have been endorsed as development targets according to Saudi officials.

(40) Asfour, op. cit., p. 45.

(41) Supplement to MEES, Vol. IX, No. 15, 11 February 1966.

(42) Ibid.

Middle East Economic Survey

A weekly review of news and views on Middle East Oil

VOL. XII NO. 19 7 MARCH 1969

14

N. E. D. ... Enter O.D.

IRAQ

1. Throughput of Iraqi Crude to Mediterranean Reduced Following Attack on Kirkuk: Throughput of crude oil from North Iraq to the Mediterranean ports of Banias (in Syria) and Tripoli (in Lebanon) was cut back sharply this week following an attack on Iraq Petroleum Company (IPC) installations at the Kirkuk oilfield last weekend. The process plant for the stabilization of Kirkuk crude was apparently subjected to heavy shellfire from outside the camp area on the night of Saturday, 1 March. Though the identity of the assailants has not been disclosed (in fact nothing about the incident has yet been officially announced from Iraq), the attack was assumed to be the work of Kurdish rebels, led by Mulla Mustafa Barazani, whose relations with the Baghdad government have deteriorated badly in recent months.

It is still too early to say exactly to what extent tanker liftings of Iraqi crude at the Mediterranean will be affected, but MEES understands that IPC is optimistic about getting production and throughput from Kirkuk - which has been running at the full capacity level of about 1.1 million b/d - back to normal fairly soon. After a two-day stoppage of production after the attack, throughput was resumed and had reportedly reached around 30 percent of capacity (i.e. 350,000 b/d) - by 5 March and 50 percent of capacity (i.e. 550,000b/d) by 6 March. It is hoped that the system will again be operating at full capacity by about the middle of next week, or around 12 March.

Meanwhile, repair work is continuing on the process plant itself. The damage, although fairly extensive, is reported to have been mainly to ancillary facilities rather than to the stabilization units themselves, of which only one - Unit No. 12 - was badly hit by direct fire.

The stabilization process plant, which treats all Kirkuk crude for removal of H_2S, consists of 12 units. Nos. 1-9 are of a heat-treatment type, while Nos. 10-12 (which provide the bulk of the capacity) are cold stripping plants. The badly damaged unit No. 12 was commissioned in 1962 at a cost of £1.25 million and has a capacity of about 230,000 b/d.

2. ERAP Discovery Well Produces 24° API Sweet Crude: MEES learns that ERAP's discovery well at Siba near Basrah in South Iraq (MEES, 24 January) has yielded a 24° API sweet crude from the Lower Cretaceous Zubair formation at a depth of some 11,700 ft. and is now drilling ahead to test the deeper Ratawi and Yamama formations.

Well Siba No. 1, which was spudded on 25 October 1968, encountered water in the Nahr Umr formation in early January. Later, in mid-January, the top of the third pay zone of the Zubair formation was encountered at about 11,700 ft., with a gross thickness of some 47 ft. On a short drill stem test the well apparently yielded around 6,000 b/d of sweet heavy crude at 1,200 p.s.i. wellhead flowing pressure and a formation pressure of 6,000 p.s.i. Though at first the gravity was about 17-19° API, it finally stabilized at 24° API. Subsequently, the fourth pay zone of the Zubair formation was encountered in separate members between 11,800 and 12,100 ft., but the results are not yet available. The well is expected to be drilled further to test the Ratawi and Yamama formations below 12,200 ft.

P.A.

MO 25/3

11

15

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IMMEDIATE BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 261 3 MARCH 1969

ML

RECEIVED IN ARCHIVES No. 45
-3 MAR 1969
ML 359/72

deep Oil Dept

CONFIDENTIAL

PLEASE PASS FOLLOWING URGENTLY TO MOORE IPC FROM GARDINER.

BEGINS: HAVE SENT NUMEROUS PET
RORUSH CABLES SUNDAY CONCERNING ATTACK ON PROCESS PLANT
KIRKUK INCLUDING URGENT REQUEST FIVE THOUSAND GALLONS FOAM.
PLEASE ADVISE IF MESSAGES RECEIVED AND ETA BAGHDAD PLANE

CARRYING FOAM. ENDS.

Files Typ + CC

Oil Dept 2
N. East Dept 8

Mr. EVANS

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RECD AT 03/0821Z

1 Mr Sol
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IMMEDIATE BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 262 3 MARCH 1969.

CONFIDENTIAL.

RECEIVED IN ARCHIVES No. 45

-5 MAR 1969

ML 359/2

MP

ADDRESSED TO FCO TELNO 262 OF 3 MARCH REPEATED FOR INFORMATION TO BEIRUT AND SAVING TO WASHINGTON PARIS THE HAGUE AND TEHRAN.

IRAQI OIL. FOUR EXPLOSIONS OCCURRED ON EVENING OF MARCH 1 AT IPC'S PROCESSING PLANT IN KIRKUK. TWO UNITS IN PLANT, HOUGHTON SPHERICAL TANKS AND THE PETROLEUM ENGINEERING LABORATORY WERE DAMAGED, BUT THERE WAS APPARENTLY NO LOSS OF LIFE. PROCESSED CRUDE FROM STORAGE TANKS CAN CONTINUE TO BE PUMPED THROUGH PIPELINE TO THE MEDITERRANEAN FOR ABOUT THREE DAYS. THEREAFTER SULPHUR CONTENT WILL BE HIGHER AND QUANTITY MAY ALSO BE AFFECTED. PROCESSED CRUDE CAN ALSO CONTINUE TO BE SUPPLIED TO BAGHDAD REFINERY DAMAGE IS BEING ASSESSED BUT NO RELIABLE ESTIMATE OF TIME REQUIRED FOR REPAIRS IS YET POSSIBLE. (ONE PROCESSING UNIT, WHICH APPARENTLY ACCOUNTS FOR 25 PER CENT OF THROUGHPUT, WOULD COST ONE AND A QUARTER MILLION POUNDS AND TAKE 9 TO 15 MONTHS TO REPLACE IF, AS IS BELIEVED, IT IS A TOTAL WRITE-OFF).

2. EXPLOSIONS WERE CAUSED BY MORTARS FIRED FROM OUTSIDE PERIMETER BY KURDISH INSURGENTS. 36 ROUNDS OF MORTAR FIRE WERE COUNTED.

3. INCIDENT OCCURRED DURING MOSLEM RELIGIOUS HOLIDAY, WHEN POSSIBLY MILITARY PRECAUTIONS IN AREA HAD BEEN RELAXED. NO PUBLICITY HAS SO FAR BEEN GIVEN.

FCO PASS TO BEIRUT AND SAVING TO WASHINGTON THE HAGUE PARIS AND TEHRAN

EVANS

MR. EVANS

[REPEATED AS REQUESTED]

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Messrs. Sutcliffe (B.P.), Bird (I.P.C.) and Dowson (Shell) informed.

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17 ~~18~~

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IMMEDIATE

CYPHER/CAT A
IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE   TO BAGHDAD
TELEGRAM NUMBER 220   3 MARCH 1969

CONFIDENTIAL
PLEASE PASS FOLLOWING URGENTLY TO GARDINER I.P.C.
FROM BIRD. BEGINS.
FOLLOWING IS REPEAT OUR 170 FROM BEIRUT. BEGINS.
YOUR CR/1091. TMA CAN MAKE AVAILABLE TO US, TO AIR FREIGHT
29 TONS OF FOAM IN 125 DRUMS OF 226 KILOS EACH,THE FOLLOWING
AIRCRAFT ''TMA DC6 , 8 TONS, ETD BEIRUT TODAY, THIRD, AND
CL/44, US REGISTRATION N/126, CHARTERED BY THEM, 21 TONS, TO
FOLLOW IMMEDIATELY THEREAFTER.''
PLEASE CONFIRM LANDING PERMISSION AVAILABLE. ENDS.
PLEASE CONFIRM YOU HAVE REPLIED TO BEIRUT.

STEWART

P.a.
MD
4/3

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(18) MC

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Cypher/Cat A

IMMEDIATE BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

Telno 267   3 March, 1969

CONFIDENTIAL

My telegram No.261.

Please pass following to Moore I.P.C. from Gardiner.

Begins:

Further this morning's message.

Please acknowledge urgently this channel all Petrorush cables received since Sunday morning. Am not certain that all our cables are being released by authorities.

Ends.

Mr. Evans.

FILES
Oil Dept.
N.East. Dept.

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See (15)

RD
7/3

88888

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YTC/1

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Communications Department

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No. 262 from Baghdad - 3.3.69.

TO:

Oil Distribution.

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(Department). . . . .
(Date). . . . .

Action taken in Communications Department:

(Initials) . . CP . . . . (Date) . . . 3/3/69 . . . .

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-5 MAR 1969
ML359/2

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19

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C... HER/CAT A

IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE TO BAGHDAD

TELEGRAM NUMBER 223

4 MARCH 1969
(OIL)

CONFIDENTIAL.

PLEASE PASS FOLLOWING URGENTLY TO GARDINER (I.P.C.) FROM MOORE.

BEGINS.

THE FOLLOWING PETRORUSH CABLES HAVE BEEN RECEIVED. UN-NUMBERED FROM GILLAN REPORTING INCIDENT. BAGHDAD 195, 196, 197, 200, 201. KIRKUK 259.

STEWART

FILES
OIL D.
NR. EAST. D.

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P.a.
RD
7/3

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DEPARTMENT

• Date and time (G.M.T.) telegram should reach addressee(s) ....

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(Date) 4/3

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~~Addressed to [Baghdad]~~

telegram No. .... (date) ....

And to ....

repeated for information to ....

~~Saving to~~

Draft Telegram to:—
Baghdad
No. 223
(Date) 4/3

And to:—

Repeat to:—

Saving to:—

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Oil Dept.
N.E.D.

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NOTHING TO BE WRITTEN IN THIS MARGIN

Please pass following urgently to Gardiner (I.P.C.) from Moore. Begins. The following PETRORUSH ~~Petorush~~ cables have been received. Un-numbered from Gillan reporting incident. Baghdad 195, 196, 197, 200, 201. Kirkuk 259.

P. G. Wallis
(Oil Dept.)
4/3

JR 4/3

11 Vq
4/3/6

20

Middle East Economic Survey

A weekly review of news and views on Middle East Oil

VOL. XII NO. 21 21 MARCH 1969

IRAQ

1. Iraq Budgets $2.7 Billion for New Five-Year Development Plan: The broad lines of a new five-year economic and social development plan for Iraq, covering 1970-74, have been announced by Dr. Jawad Hashim, Iraq's Minister of Planning. The new plan, details of which were released in a recent press statement in Baghdad, estimates total expenditure for the five-year period at ID 973 million ($2,724.4 million), of which ID 490 million ($1,371 million) will come from oil revenues and the balance of ID ~~438~~ million ($1,226.4 million) from the private sector and government-run organizations and agencies. 483

N.E.D.
Cat-O.D.

The Minister's statement is prefaced by a critique of previous development policy in which the following points are made:

- Despite the existence of vast potentiality for development in the agricultural sector and the expenditure of large sums to this end, agriculture remains in a state of stagnation. Whereas in the past Iraq was self-sufficient in agricultural produce, even exporting a surplus, today it has to import a large part of its requirements.

- The industrial and mining sector, excluding petroleum, has not attained rates of growth commensurate with existing opportunities. The oil sector should not continue to carry the full burden of the requirements of economic development, and other sectors should be expanded to safeguard the country against the dangers of a single-commodity economy.

- Despite the fact that specific allocations were made for the various projects to be undertaken by the public sector, the implementation record of these projects (in the current 1965-69 plan) has been disappointing. No more than 50 percent of the scheduled projects were carried out with the result that part of the allocations for development was absorbed by rising government administrative costs.

- Despite rising government administrative costs, the administrative structure failed to cope with the responsibilities of development and, in many instances, became an impediment to development.

- The shortage of managerial expertise and skilled labor among Iraqi contractual organizations restricted their ability to cope with the large-scale projects of the plan. This led to fragmentation of contracts, which in turn imposed an intolerable burden on the government's administrative machinery.

The Minister then outlined the main objectives of the new plan as follows:

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Middle East Economic Survey

A weekly review of news and views on Middle East Oil

VOL. XII NO. 21 21 MARCH 1969

- To attain a 3.5 percent annual growth in per capita income (representing a 40 percent improvement over the previous growth rate), thereby permitting a 7.1 percent annual growth in the economy which is necessary if the national income is to double every 10 years. This can be attained by striking a better balance between the various sectors - for example, by expanding the production of consumer goods and restricting the growth of services to the minimum required level, especially as far as administrative services are concerned.

- To revitalize the agricultural sector and attain an annual growth in agricultural produce of 5 percent.

- Since industry is regarded as the pivot of the development of the Iraqi economy, the plan aims at realizing a 12 percent average annual growth in the combined private-public industrial sector.

The statement includes a preliminary table showing how the allocations deriving from oil revenues (ID 490 million) are to be divided among the various sectors under the five-year plan (in millions of Iraqi dinars):

Sector	1970	1971	1972	1973	1974	Total	%
Agriculture	35	35	40	45	45	200	41
Industry	15	15	40	50	50	170	35
Transport Communications	15	15	10	10	10	60	12
Housing & Construction	15	15	10	10	10	60	12
Totals	80	80	100	115	115	490	100

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PRIORITY BAGHDAD

TELEGRAM NUMBER 319

TO FOREIGN AND COMMONWEALTH OFFICE

21 MARCH 1969.

SECRET

OIL INSTALLATION PROTECTION

I P C HAVE BEEN DISCUSSING THE FUTURE PROTECTION OF OIL INSTALLATIONS AFTER THE KIRKUK RAID AND THE IRAQI ARMY HAVE AGREED WITH HAHN THAT IT WOULD BE USEFUL IF THEY COULD SEND A SUITABLY QUALIFIED OFFICER TO DISCUSS THIS QUESTION IN THE UNITED KINGDOM. HAHN BELIEVES THERE IS SCOPE FOR THE USE OF POLICE DOGS.

2. I SHOULD BE GLAD IF THIS POSSIBILITY COULD BE EXAMINED BY THE AUTHORITIES CONCERNED.

MR. EVANS

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Mr. Brant

Oil Department

With the compliments of

PERMANENT UNDER-SECRETARY'S DEPARTMENT

Mr. A. M. Simons

FOREIGN AND COMMONWEALTH OFFICE

S.W.1.

26 March, 1969

SECRET

CYPHER/CAT A

PRIORITY BAGHDAD

TELEGRAM NUMBER 319

TO FOREIGN AND COMMONWEALTH OFFICE

21 MARCH 1969.

SECRET

OIL INSTALLATION PROTECTION

I P C HAVE BEEN DISCUSSING THE FUTURE PROTECTION OF OIL INSTALLATIONS AFTER THE KIRKUK RAID AND THE IRAQI ARMY HAVE AGREED WITH HAHN THAT IT WOULD BE USEFUL IF THEY COULD SEND A SUITABLY QUALIFIED OFFICER TO DISCUSS THIS QUESTION IN THE UNITED KINGDOM. HAHN BELIEVES THERE IS SCOPE FOR THE USE OF POLICE DOGS.

2. I SHOULD BE GLAD IF THIS POSSIBILITY COULD BE EXAMINED BY THE AUTHORITIES CONCERNED.

MR. EVANS

DEPARTMENTAL DISTRIBUTION

OIL DEPT.
NEAR EASTERN DEPT.
ARABIAN DEPT.
DEF. POL. DEPT.
P.U.S.D.
O.P.A.

SECRET

NNNNN

~~Mr Brant.~~ Mr Wallis.
24/3

This came up briefly when I called on IPC on Friday afternoon, but I did not get the impression that Mr Hahn's proposals were as firm as this. I had better discuss with him again – he is in London – but would you first ascertain whether there is someone in M.O.D. who would be willing /to

to receive an Iraqi visitor to discuss these matters?
We might try to get Mr Hahn to see M.O.D. before
he returns. Pl. keep N.E.D. and Def. Pl. D. in the
picture.

24/3.

After clearing with NED (Mr Hinchcliffe),
I have discussed with Mr Simmons of the Security Service (who
first mounted the B.P. advisory visit for Libya). He will
discuss the possibilities & ring back.

C. Brant
24/3

Mr Ellingworth o.r. Spoken 24/3

he spoke
F.J. SIDWELL
Mr Sidwell of the Security Service* rang back to say that he would
be glad to see whether there were any way in which his Service
could help. The I.P.C. could approach him direct. If you are
agreeable, I could put I.P.C. in touch with him, after
ascertaining that this was how they would like to play it.

* Tel. No REG. 6050
EXT. 860.

Mr Simmonds, P.U.S.D.

C. T. Brant
Oil Dept.
25/3

Thank you. We have noted what is proposed.

24/3.

Mr Brant
28/3

Pl. reg. + b.u. 1 week 29/3

Reference with (20)

In a letter at folio (3) of NEQ 5/1, Mr. Hawley reports that ID 490 m. allocated to Central Govt. investment will come from oil revenues. This implies that the total oil revenues will be more than MEES says. In JIC (B) (69) (1) an estimate of I.D. 470 m. p.a. for five years is given, assuming no resolution of the I.P.C. problem and no production by ERAP.

[initials]
14/4

21

WHAT'S NEW AROUND THE WORLD

IRAQ

Copy to port and production file. Show N.E.D, N.A.D, A.D.

Iran, Saudi Arabia Straddle 3.5 Million B/D Output

With output in Iran and Saudi Arabia hitting new highs and a nice spurt in Kuwait, Middle East crude oil production in February — at 12.9-million barrels daily — was about 1-million b/d higher than it's ever been. Also contributing to the 18% gain were fairly sizeable boosts in all other producing areas except Iraq where damage to Kirkuk facilities reduced the flow of oil to the Mediterranean (PIW—March 10,p.8).

For the first two months of 1969 output is 11% ahead of a year ago.

Figures in thousands of barrels daily follow. (Beginning this month PIW is breaking out the actual Kuwait and Saudi Arabian shares of Neutral Zone production):

	—February—		%	—Jan.-Feb.—		%
	1969	*1968*	*Change*	*1969*	*1968*	*Change*
Iran**	3,580.2	2,618.2	+36.7	3,274.5	2,681.4	+22.1
Saudi Arabia*	3,456.0	3,040.0	+13.7	3,189.1	2,898.4	+10.0
Kuwait*	2,951.6	2,695.6	+ 9.5	2,583.8	2,498.1	+ 3.4
Iraq	1,545.2	1,517.7	+ 1.8	1,514.7	1,501.3	+ 0.9
Abu Dhabi						
Onshore	381.7	300.4	+27.1	336.8	307.9	+ 9.4
Offshore	300.8	206.8	+45.5	238.4	198.0	+20.4
Qatar						
Onshore	207.2	192.0	+ 7.9	204.2	169.4	+ 7.8
Offshore	154.7	138.8	+11.5	140.6	140.2	+ 0.3
Oman	284.0	172.0	+65.1	281.8	166.7	+69.0
Bahrain	81.1	73.7	+10.0	78.0	72.2	+ 8.0
Total	12,942.5	10,955.2	+18.1	11,841.9	10,653.6	+11.2

* Includes respective shares of Neutral Zone output as follows:

Onshore						
Saudi Arabia	105.4	53.4	+97.4	94.2	48.7	+93.4
Kuwait	25.9	60.4	−57.1	18.6	46.9	−60.3
Offshore						
Saudi Arabia	164.9	143.2	+15.2	160.8	130.5	+23.2
Kuwait	164.9	143.2	+15.2	160.8	130.5	+23.2

** February: Consortium 3,370,900 b/d; IPAC 110,500 b/d; SIRIP 18,200 b/d; LAPCO 71,700 b/d; NIOC 8,900 b/d.

P.

2/4

CONFIDENTIAL
Oil Department,

(22) (28)

24 March, 1969.

I enclose a photograph of which we have just spoken. It is of an unidentified missile fired into the installations of the Iraq Petroleum Company at Kirkuk during an attack believed to have been mounted by Kurds at the beginning of this month.

2. The Iraq Petroleum Company would appreciate any information which we could supply in order to enable them to identify the object.

(P.G.Wallis)

Colonel A.D.Nelson,
Room PM3/33,
Ministry of Defence,
S.W.1.

Reg + p.a.
ADN 28/3.

CONFIDENTIAL

SECRET

(23) (~~29~~)

ML 359/1 3 April, 1969.

Oil Installation Protection

(20) We have put to the Security Services the suggestion in your telegram No. 319. They said that, with some difficulty (due to certain problems in North Wales this summer) they could release a suitable person. We have so informed IPC here but they have not yet come back with firm proposals. The ball is therefore in their court, but you may care to put Hahn in the picture in case he thinks it appropriate to pursue the matter further with his head office.

(R.H. Ellingworth)

T.E. Evans, Esq., CMG.,OBE.,
Baghdad.

SECRET

BAG TODAY

Registry No.	DRAFT letter	Type 1 +
Top Secret. Secret. Confidential. Restricted. Unclassified.	To:— Mr. T.E. Evans, C.M.G., O.B.E. Baghdad	From R.H.E. Telephone No. & Ext. Department

NOTHING TO BE WRITTEN IN THIS MARGIN

Oil Installation Protection

We have put to the Security Service the suggestion in your telegram No. 319. They said that, with some difficulty (due to certain problems in North Wales this summer) they could release a suitable person. We have so informed IPC here but they have not yet come back with firm proposals. The ball is therefore in their court, but you may care to put Hahn in the picture

HAHN

Flag A

Mr. Ellingworth

a.a. N.E.D.

MD 2/4

(83126) St.S.

in case he ~~wants to pursue the idea~~ thinks it appropriate to pursue the matter further with his head office.

[signature] 3/4.

NOTHING TO BE WRITTEN IN THIS MARGIN

Restricted

Reference with ~~28~~ 22

Mr Wallis

Mr Dalley would be grateful for any information we can provide about the provenance of this weapon. Presumably we should ask the Ministry of Defence to advise. P.U.S.D might be able to give you a suitable contact.

[illegible] 21/3.

(I have put some comments by Mr Dalley on the back).

Restricted.

Ed (4206)

24 ~~30~~

TOP COPY

CONFIDENTIAL

CYPHER/CAT A

IMMEDIATE BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NO. 344 4 APRIL 1969

CONFIDENTIAL.

PLEASE PASS FOLLOWING TO DALLEY I.P.C. FROM GARDINER.

DURING 48 HOURS TO MIDDAY THURSDAY 3 APRIL ANXIETY ARISEN OVER POSSIBILITY SERIOUS FLOODING IN BAGHDAD. WATER LEVELS TIGRIS AND TRIBUTARIES IN NORTH AT HIGHEST LEVELS RECORDED FOR 50 YEARS. MAXIMUM POSSIBLE WATER BEING DIVERTED TO THARTHAR. PEAK WATER LEVEL OF 135 METRES ABOVE SEA LEVEL EXPECTED IN BAGHDAD 6 APRIL. THIS CONSTITUTES DEFINITE FLOOD DANGER. UNDERSTAND BUNDS TO NORTH OF BAGHDAD LIKELY BE BLOWN IN NEXT 48 HOURS TO DIVERT WATER TO OPEN AREAS NORTH EAST AND EAST OF CITY. SINCE EASTERN PROTECTION BUND NO LONGER VIABLE WATER MAY THEN WELL ENTER EASTERN PART CITY. HAVE TAKEN PRECAUTIONS UNDER PHASE 1 OF OUR FLOOD PLAN BUT THESE NOT COMPLETE OWING SHORT NOTICE PRIOR START THREE DAY EASTER HOLIDAY. WILL KEEP YOU ADVISED OF DEVELOPMENTS BY GUARDEDLY WORDED OPEN CABLES.

MR EVANS

F I L E S

OIL DEPT.
NEAR EASTERN DEPT.
EMERGENCY UNIT
CONSULAR DEPT.
F.P. & A.D.
NEWS DEPT.

ADVANCE COPIES SENT

Passed to I.P.C. today.
p.c.

8/4

CONFIDENTIAL

NNNNN

YTC/1

TELEGRAM SECTION
Room 124 K.C.S
Communications Department

Oil.

Copy/ies of the following telegram has/have been sent

Baghdad 344 of 4/4

TO:

I.P.C. Dirt.

(Signed) ....
(Department).....................
(Date)...........................

Action taken in Communications Department :

(Initials) ....BZ.... (Date) ....6.4.69....

AFTER ACTION THIS FORM SHOULD BE SENT TO THE APPROPRIATE REGISTRY FOR RETENTION

M6

25 ~~22~~

IRAQ PETROLEUM COMPANY, LIMITED

33 CAVENDISH SQUARE LONDON WIM OAA

TELEPHONE 01-629 9405   TELEX 22266

TELEGRAMS Inland PETRIRAQ LONDON TELEX   Foreign PETRIRAQ LONDONWI   Code BENTLEY'S SECOND PHRASE

RECEIVED IN
REGISTRY No. 46
16 APR 1969
ML359/2

14th April, 1969.

IRAQ OIL - MARCH 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for March, and the totals for the first three months of 1969, are as follows -

	Production March 1969 Long Tons		Production Jan.-Mar. 1969 Long Tons	
IRAQ PETROLEUM COMPANY, LIMITED	4,495,000	−7%	13,712,000	−1%
BASRAH PETROLEUM COMPANY LIMITED	1,788,000	+7%	4,180,000	−3%
MOSUL PETROLEUM COMPANY LIMITED	113,000	−2.5%	326,000	−4%
	6,396,000	−3.4%	18,218,000	−1.7%

Mr. ~~Brant~~ 21/4

N.E.D. 23/4

Iraq is making no headway. Kirkuk has not helped.

18/4

Reference............................ 26

Mr. Packe,
Defence Training and Supply Dept.,
Room EMS 22.
~~[illegible]~~

Protection of IPC installations: Kirkuk

We spoke this morning about an enquiry from the IPC as to whether we could help with expert advice for an Iraqi army officer, accompanied by a member of the IPC's staff at Kirkuk.

2. Basically the problem is as follows. The IPC installations in Kirkuk comprise a large and complex system, embracing well heads, gathering lines, gathering centres, separation plant, and pumping and generating centres. As a result of the militancy of the Kurdish insurgents in Northern Iraq, these installations are now at risk, not only from the possibility of sabotage, but also from direct attack with, e.g. mortars and/or other weapons. On 1 March, the separation plant was the target for a Kurdish mortar bombardment, which did a fair amount of damage.

3. Partly in order to express their appreciation for the help given during and after this incident, and partly to help improve Iraqi defence of their installations, IPC would like to bring over for, say, a week to ten days the Iraqi army lieutenant who is the Staff Intelligence Officer responsible for advising the local army formation on the defence of IPC's area. On the first ground, this officer apparently did very well in helping to clear up after the attack, pulling mortar bombs out by hand to enable repairs to be got under way. And on the second, IPC think that it would undoubtedly be a worthwhile insurance for them, and would help to create better relations with the local Iraqi military, if they were to sponsor this officer's visit and look after him in the U.K.

4. What they had in mind, therefore, was to see if we could provide some advice or at any rate, a comparison of notes on a general bomb disposal type of course, with the emphasis on the protection of installations from high explosive attack (e.g. defensive sand-bagging and protective cladding). Such conversations might cover first, the methods of protection against high explosive and/or small arms attack, and secondly, disposal of ~~high~~ unexploded high explosives resulting from such attacks or from infiltrating such devices into IPC installations.

5. The officer would be accompanied by a member of the IPC, staff from Kirkuk who speaks good English, plus someone from IPC's headquarters organisation here in London. IPC would be responsible for all expenses.

6. We should therefore be most grateful if you could investigate the possibilities of such advice for this Iraqi officer. IPC would like to press on with this project as soon as possible, to make good while the iron was still hot from the good relations after the last Kurdish attack. It is very much in the U.K. national interest that we should help the IPC to improve Iraqi army protection of their area as efficiently as possible; there would therefore be

be a distinct FCO interest in obtaining facilities from the M.O.D. such as the IPC have suggested.

7. I attach a spare copy of this minute in case you would wish to pass it on to the M.O.D.

C.T. Brant

(C.T.Brant)
Oil Dept.
23 April, 1969

cc: N.E.D.

Mr Rooke.

Would you please discuss with N.E.D. and Defence Policy Dept. before giving this [illegible] momentum. [illegible] or [illegible] a permanent [illegible] a perhaps [illegible] to [illegible] for 2 [illegible] could very well [illegible] and be Iraq [illegible] proposal would [illegible] if the [illegible] backfire. [illegible] for the [illegible] asked [illegible] the same [illegible] But [illegible] please [illegible] might Iraqi [illegible] disposal for an [illegible] be available

[illegible] 24/4.

SECRET.

Reference (27) ~~(42)~~

Mr Symons,
P.U.S.D.

EN 1017.

(20)

I.P.C. Security in Iraq.

We spoke again this morning about the attached Baghdad telegram, enquiring about the possibility of an Iraqi Army officer discussing the future protection of I.P.C. installations, in the U.K with expert opinion.

2. I fear that when I originally spoke to the Security Service about this enquiry, I had taken it to be for an I.P.C. man, not an Iraqi (I see now that though the "Iraqi" in the third line is ambiguous, the "officer" in the fourth is not).

3. Consequently, when we heard recently from the I.P.C. in London that an Iraqi officer had been nominated to come to London for this purpose, the Security Service were unable to help.

4. I wonder, therefore, whether you could recommend any suitable expert advisers who could take this on? It is, of course,

in the U.K.'s general interest that Iraqi protection of the I.P.C.'s installations should be made as efficient as possible. And there would be no objection in principle to an Iraqi receiving advice and/or training in the U.K.: the Iraqis send a number of officers over for training each year in the U.K., generally on payment.

4. The Asst. Overseas Police Adviser concurs in my approaching you.

C Brant.
17/4

C. T. Brant
Oil Dept.

Mr G. Gobbs
Ex. 24.

I am sorry we cannot help. The view is that any such training should be overt: we can only suggest the Army.

[illegible]
PUSD 17/4

Mr. Brant
Oil Dept
St George St.

Now see (30)

CONFIDENTIAL

(28) 44

TOP COPY

Cypher/Cat A

PRIORITY BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

Telno 402 28 April 1969

CONFIDENTIAL

Addressed to FCO telegram No. 402 of 28 April. Repeated for information Saving to Tehran, Beirut, Paris, The Hague and Washington.

IPC.

IPC's main 30 inch pipeline was cut on 26 April by an explosive charge. It has now been repaired.

FCO pass Saving to Tehran, Beirut, Paris, The Hague and Washington.

Mr. Evans

[Repeated as requested]

DEPARTMENTAL DISTRIBUTION
OIL. D.
N. EAST. D.
NEWS D.
ARAB. D.
MOD INTERNAL

EEEEE

CONFIDENTIAL

YTC/1

TELEGRAM SECTION
Room 124 K.C.S
Communications Department

Oil dept

Copy/ies of the following telegram has/have been sent

N. 402 from Baghdad. 28/4.

TO:

Oil

(Signed) ....

(Department)......................

(Date)............................

Action taken in Communications Department :

(Initials) .... (Date) .....29/4.............

AFTER ACTION THIS FORM SHOULD BE SENT TO
THE APPROPRIATE REGISTRY FOR RETENTION

CONFIDENTIAL

29

ML 359/2   1 May, 1969

22 I wrote on 24 March enclosing a photograph of a missile which the Iraq Petroleum Company had asked us to help in identifying. Major Harper later rang with a request for further information. I passed this request on to I.P.C. who have now told us that they do not wish to pursue the enquiry. There seems to be no doubt now that the missile was fired by Kurds.

2. I am sorry that you were troubled and am grateful for the interest shown by you and your colleagues.

(P.G.Wallis)

Colonel A.D. Nelson,
Room PM3/33,
Ministry of Defence,
S.W.1.

CONFIDENTIAL

Registry No.

Top Secret.
Secret.
Confidential.
Restricted.
Unclassified.

DRAFT letter

Type 1 +

To:—

Colonel A.D. Nelson,
Room PM 3/33
Ministry of Defence
S.W.1.

From
P.G.W.

Telephone No. & Ext.

Department

NOTHING TO BE WRITTEN IN THIS MARGIN

I wrote on 24th March enclosing a photograph of a missile which the Iraq Petroleum Company had asked us to help in identifying. Major Harper later rang with a request for further information. I passed this request on to I.P.C. who have now told us that they do not wish to pursue the enquiry. There seems to be no doubt now that the missile was fired by Kurds.

I am sorry that you were

(83126) Sc.S.

troubled and am grateful for the interest shown by you and your colleagues.

NOTHING TO BE WRITTEN IN THIS MARGIN

Reference 29A

Mr. C. T. Brant - Oil Department

26 below We spoke on the telephone about your minute to me of 23 April. You will be interested to see the comments on this proposal by Mr. Davidson of this department and Mr. Hinchliffe of Near Eastern Department.

2. I have also spoken to Mr. F. P. Baker, Ministry of Defence, DS.6, Main Building, Extension 6957. He told me that training of this type would be undertaken by the RAOC. There is no set regular course but ad hoc arrangements are made when the need arises and there is a sufficient number of candidates. The training lasts about 11 weeks. There are no plans for a course of this type in the near future. Mr. Baker also said that it was not possible to estimate the cost of this training as the Ministry of Defence are in the process of revising charges for all training in the U.K. Mr. Baker also mentioned that the contact for this matter in the Ordnance Section of the Ministry of Defence is Major Woodyear or Capt. Morrison, First Avenue House, Extension 1336 (via old War Office), who may be able to give further advice.

3. In the light of Mr. Davidson's comments, and as a result of my further discussion with him, the D.T.S.D. recommendation is that the Embassy in Bagdad be asked for their views and, provided they see no objection, to seek the approval of the Iraqi Authorities to the IPC proposal.

W W Packe

(W. W. Packe)
Defence Training & Supply Department
29 April, 1969

See 30 & 31 Letter to Major Hill & Tel. to Baghdad, cleared with D.T.S.D. & NED.

CB
7/5

C ONFIDENTIAL

No objection

Reference

Mr. J. Thomas, Defence Policy Dept.

Mr. P.R.M. Hinchcliffe, Near Eastern Dept.

Reference Mr. Brant's minute below.

I have spoken to Ministry of Defence and it is almost certain that they could provide most, if not all, of the training mentioned.

In the light of Mr. Davidson's minute, I should be glad of your comments generally, and on the political implications of this enquiry. It would, of course, be more satisfactory to us if the request for training came from the Iraqi Government.

W.W. Packe

(W.W. Packe)
24 April, 1969
Defence Training & Supply Dept.

Mr Packe

Relations between IPC and the Iraqi Government, up to recently very bad, now seem to be improving. Anything that we can do, unobtrusively, to help IPC to mend its fences with the Iraqis, Government and local military authorities is in our interest.

The arrangement of this course would be initiated by the IPC but the Iraqi officers

Ed (5084)

could hardly attend without the blessing of the Iraqi Government as he is a serving officer with the armed forces.

I suggest that we should make arrangements for this course and so as to avoid any possibility of offending the Iraqi Government we should telegram ~~Baghdad~~ our defence attaché in BAGHDAD, informing him of the I.P.C invitation and asking him to formally clear this with the Iraqi Ministry of Defence. At the same time we should inform the IPC that we are doing this.

P R M Hinchcliffe (P.R.M. HINCHCLIFFE)

N.E.D

CONFIDENTIAL

Oil Department,

(30)

RECEIVED IN
REGISTRY No. 4G
- 2 MAY 1969

ML 359/2

1 May, 1969

Iraq and the I.P.C.

This is to confirm our regrettably importunate requests for your assistance in the shape of advice and expertise for an Iraqi Army lieutenant visiting the U.K. shortly under the auspices of the Iraq Petroleum Company (I.P.C. - the British company which has developed the Iraqi oil industry since 1925).

2. The officer's name is Lt. Jiburi. He will be accompanied by Mr. Abdul Karim Mohammed, an I.P.C. official, who is process plant superintendent at the Company's main installations at Kirkuk in Iraq. Mr. G.O.H.R. Wilson, of the I.P.C.'s staff in London, will look after the other two while they are in England.

3. As I explained on the telephone the Company wished to take the opportunity of Lt. Jiburi's visit to have him given expert advice in the technical problems of defending and protecting the I.P.C.'s installations against any further attacks by the Kurds (e.g. mortar fire, bazooka or rocket bombs). Tiburi is the Intelligence Officer of the local Iraqi Army Command charged with the defence of the I.P.C.'s plant in Kirkuk area. Anything that can be done, therefore, to render that defence more expert, and generally to improve relations between the Company and the Iraqi Army in that region, will be useful to the Company and thus ultimately to U.K. interests.

4. We are accordingly most grateful to you and to the School of Infantry at Warminster for agreeing to see the Kraqi, and to discuss his requirements and problems with him. I fully realise that in the time available there was no opportunity to consider more than a brief or ad hoc programme for him. As I mentioned to you, Mr. Ramsay-Brown, a member of the I.P.C.'s staff here, was arranging the visit, and undertook to make direct contact with Col. Roden at the School of Infantry. But if the visit should lead to an Iraqi requirement for training in the matters in question, we should be glad to discuss the prospect in a more considered fashion.

(31) 5. We are telegraphing our Embassy in Baghdad simultaneously to ensure that the Iraqi defence authorities have been kept in the picture, and are agreeable to these plans for Lt. Jiburi.

/6...

Major Hill,
DAT 1,
Old W.O.
Whitehall, S.W.1.

CONFIDENTIAL

See (29A)

6. The Political Department here, and our Defence Training Supply Department (Mr. Packe) concur. The latter has spoken already to Baker of D.S.6. on your side.

(C.T. Brant)

CONFIDENTIAL

Registry No.

DRAFT letter

Type 1 +

SECURITY CLASSIFICATION

Top Secret.
Secret.
Confidential.
Restricted.
Unclassified.

PRIVACY MARKING

....................................In Confidence

To:—
Major Hill,
DAT 1
Old W.O.,
Whitehall.

From
C.T.Brant
Telephone No. & Ext.

Department

Mr Parker
DTSD. first.

Agreed.
OJ.

NOTHING TO BE WRITTEN IN THIS MARGIN

Iraq and the I.P.C.

This is to confirm our regrettably importunate requests for ~~W.O.D.~~ Your assistance in the shape of advice and expertise for an Iraqi Army Lieutenant visiting the U.K. shortly under the auspices of the Iraq Petroleum Company (I.P.C.), the British company which has developed the Iraqi oil industry since 1925).

2. The officer's name is Lt. Jiburi. He will be accompanied by Mr. Abdul Karim Mohammed, an I.P.C. official, who is process plant superintendent at the Company's main installations at Kirkuk in Iraq. Mr. G.O.H.R. Wilson, of the I.P.C.'s Staff in London, will look after the other two while they are in England.

3. As I explained on the telephone, ~~the I.P.C. were~~ bringing Lt. Jiburi over partly as an expression of their appreciation for the help he gave after a mortar bombardment of the I.P.C.'s Kirkuk installations on the night of 1 March by Kurdish insurgents operating ~~against the Iraqi Government. But~~ the Company ~~also~~ wished to take the opportunity of ~~Mr.~~ Lt. Jiburi's visit to ~~interest him~~ have him given expert advice in the technical problems of defending and protecting the I.P.C.'s installations against any further attacks by the Kurds ~~in the same vein~~ (e.g. mortar fire, bazooka or rocket bombs). Jiburi is the Intelligence Officer of the local Iraqi Army Command charged with the defence of the I.P.C.'s plant in

(118281) Dd. 391599 1,500M 2/69 Hw.

Kirkuk area. Anything that can be done, therefore, to render their defence more expert, and generally to improve relations between the Company and the Iraqi Army in that region, will be useful to the Company ~~and the Iraqi Army in that region will be useful to the Company~~ and thus ultimately to U.K. interests.

3. We are accordingly most grateful to you and to the School of Infantry at Warminster for agreeing to see the Iraqi, and to discuss his requirements and problems ~~provisions~~ with him. I fully realise that in the time available there was no opportunity to consider more than a brief or <u>ad hoc</u> programme for him. As I mentioned to you, Mr. Ramsay-Brown, a member of the I.P.C.'s staff here, was arranging the visit, and undertook to make direct contact with Col. Roden at the School of Infantry. But if the visit should lead to an Iraqi requirement for training in the matters in question, we should be glad to discuss the prospect in a more considered fashion.

4. We are telegraphing our Embassy in Baghdad simultaneously to ensure that the Iraqi defence authorities have been kept in the picture, and ~~[illegible]~~ are agreeable to these plans for Lt. Jiburi.

5. The Political Department here, and our Defence Training Supply Department (Mr. Packe) concur. The latter has spoken already to Baker of D.S.6 on your side.

O3

1/5

NOTHING TO BE WRITTEN IN THIS MARGIN

9

CONFIDENTIAL

TOP COPY (31)

CYPHER/CAT A

IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE TO BAGHDAD

TELEGRAM NUMBER 388 1 MAY 1969. (ML)

RECEIVED IN REGISTRY No. 46 -2 MAY 1969

ML359/2

CONFIDENTIAL.

(23) ELLINGWORTH'S LETTER TO YOU ML359/1 OF 3 APRIL:

I.P.C. SPONSORED VISIT.

IT HAS PROVED DIFFICULT TO FIT IN IRAQI OFFICER CONCERNED (LT. JIBURI), SINCE I.P.C. SUBSEQUENTLY MADE IT CLEAR THAT THEY WANTED MILITARY EXPERTISE FOR THIS OFFICER, AND NOT ADVICE ON SECURITY AS WE HAD AT FIRST UNDERSTOOD. MOREOVER, I.P.C. AFTER SOME DELAY HAVE NOW ADVANCED OFFICER'S ARRIVAL TO THIS WEEK-END, SO THAT WE HAVE BEEN GIVEN LITTLE CHOICE OVER TIMING.

2. HOWEVER, ARRANGEMENTS ARE BEING MADE AT SHORT NOTICE FOR HIM TO VISIT THE SCHOOL OF INFANTRY AT WARMINSTER FOR A DAY, TO HAVE DISCUSSIONS WITH THE STAFF ON THE PROBLEMS OF THE DEFENCE OF I.P.C. INSTALLATIONS AGAINST HIGH-EXPLOSIVE ATTACK. I.P.C. DECIDED NOT TO PURSUE THE OFFER OF BOMB-DISPOSAL EXPERTISE ALSO OBTAINED FROM THE MINISTRY OF DEFENCE.

3. PLEASE ENSURE THAT JIBURI'S VISIT TO WARMINSTER IS CLEARED WITH IRAQ'S DEFENCE AUTHORITIES.

4. ANY PROSPECTS FOR TRAINING ARISING FROM THE VISIT WILL NEED TO BE CONSIDERED WITH MORE CARE.

STEWART.

F I L E S
OIL D.
DEF. TR. & S.D.
N. EASTERN D.

CONFIDENTIAL

Registry No. DEPARTMENT **OD** ML

* Date and time (G.M.T.) telegram should reach addressee(s) 1/5

SECURITY CLASSIFICATION	PRIORITY MARKINGS
~~Top Secret~~ ~~Secret~~ Confidential ~~Restricted~~ ~~Unclassified~~	~~Flash~~ Immediate ~~Priority~~ ~~Routine~~

(Date)

Despatched 1963

CYPHER

PRIVACY MARKING

In Confidence

~~En Clair.~~
~~Code~~
Cypher

[Security classification —if any] CONFIDENTIAL

[Privacy marking —if any]

[Codeword—if any]

Addressed to ~~[BAGHDAD]~~

telegram No. ~~........~~ (date)

And to

repeated for information to

Saving to

~~Draft Telegram to:—~~
Baghdad
No. 388
(Date) 1/5
And to:—

Repeat to:—

Saving to:—

Mr. [illegible]
DTSD. [illegible]
[illegible] [illegible] 30/4

Distribution:—
Files
D.T.S.D.
Oil Dept.
N.E.D.

Copies to:—

Ellingworth's letter to you ML359/1 of 3 April:
~~[I.P.C. and Iraqi Army]~~ I.P.C.-Sponsored visit

It has proved difficult to fit in Iraqi officer concerned (Lt. Jiburi), since I.P.C. subsequently made it clear that they wanted military expertise for this officer, and not advice on security as we had at first understood. Moreover, I.P.C. after some delay have now advanced officer's arrival to this week-end, so that we have been given little choice over timing.

2. However, arrangements are being made at short notice for him to visit the School of Infantry at Warminster for a day, to have discussions with the staff on the ~~provisions associated with~~ problems of the defence of I.P.C. installations against high-explosive attack. I.P.C. decided not to pursue the offer of bomb-disposal expertise also obtained from the Ministry of Defence.

XX

NOTHING TO BE WRITTEN IN THIS MARGIN

[illegible] 1/5

16252
1/5/69

3. Please ensure that Jiburi's visit to Warminster is cleared with Iraq's defence authorities.

4. ~~Army~~ Army prospects for training arising from the visit will need to be considered with more care.

C3

1/5.

(31A)

IRAQ PETROLEUM COMPANY, LIMITED

33 CAVENDISH SQUARE LONDON W1M OAA

TELEPHONE 01-629 9405 TELEX 22266

TELEGRAMS Inland PETRIRAQ LONDON TELEX Foreign PETRIRAQ LONDONW1 Code BENTLEY'S SECOND PHRASE

7th May, 1969.

IRAQ OIL - APRIL 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for April, and the totals for the first four months of 1969, are as follows -

	Production April, 1969	Production Jan.-Apr. 1969
	Long Tons	Long Tons
IRAQ PETROLEUM COMPANY, LIMITED	4,578,000	18,290,000
BASRAH PETROLEUM COMPANY LIMITED	1,348,000	5,528,000
MOSUL PETROLEUM COMPANY LIMITED	109,000	435,000
	6,035,000	24,253,000
	−0·33% on 1968	−1·37% on 1968

P.a.

MO

8/7

CONFIDENTIAL

2 [handwritten] HMC 15/4 Mr [illegible] Mr. Reid (32)

Central Intelligence Bulletin

14 May 1969

NIGERIA: OIL PRODUCTION REACHED A RECORD HIGH IN APRIL, BUT BIAFRAN ARMY UNITS STILL POSE A SERIOUS THREAT TO PETROLEUM INSTALLATIONS.

NIGERIA'S TWO PRODUCING COMPANIES, SHELL-BP AND GULF, PUMPED NEARLY 600,000 BARRELS PER DAY LAST MONTH, MAKING NIGERIA THE 11TH LARGEST OIL-PRODUCING COUNTRY. OTHER COMPANIES ARE EXPECTED TO START PRODUCING SOON, RAISING OUTPUT TO SOME 700,000 BARRELS PER DAY BY THE END OF THE YEAR AND TO AROUND ONE MILLION BARRELS PER DAY IN 1970.

BIAFRAN FORCES ARE WITHIN STRIKING DISTANCE OF SEVERAL OILFIELDS AND THE STRATEGIC TRANS-NIGER PIPELINE. ON 9 MAY A SECESSIONIST RAIDING PARTY OVERRAN TWO DRILLING CAMPS NEAR KWALE AND MORE RAIDS MAY FOLLOW. ALTHOUGH THE SECESSIONISTS WOULD LIKE TO DISRUPT NIGERIAN OIL PRODUCTION, THEY HAVE NOT SABOTAGED ANY OF THE VERY VULNERABLE OILFIELDS OR PIPELINES IN FEDERAL HANDS, PERHAPS IN THE HOPE OF EVENTUALLY RECAPTURING THEM INTACT. (CONFIDENTIAL)

ARAB STATES: THE POPULAR FRONT FOR THE LIBERATION OF PALESTINE, ONE OF THE MORE IRRESPONSIBLE OF THE FEDAYEEN GROUPS, REPORTEDLY HAS MADE PLANS TO BLOW UP THE OIL PIPELINE WHICH RUNS FROM SAUDI ARABIA INTO LEBANON. ALTHOUGH LEBANESE SECURITY AUTHORITIES HAVE BEEN ALERTED AND PROBABLY WILL TAKE EFFECTIVE COUNTERMEASURES, THE THREAT POINTS UP THE POSSIBILITY OF FEDAYEEN ATTACKS AGAINST WESTERN-OWNED INSTALLATIONS IN THE ARAB WORLD. (CONFIDENTIAL)

very accurate ! 2/6 [initials] [initials] 30/5

DS Form 36

With the Compliments of the
Defence Intelligence Staff
[signature]
DI 76b/1
MINISTRY OF DEFENCE
Metropole Buildings
Northumberland Avenue
London, W.C.2
WHitehall 8474

You may find this interesting — particularly the second item.

Enter (?oil production)
[initials] 19/5

CONFIDENTIAL

33

EN CLAIR

BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

TELNO 472   19 MAY, 1969

UNCLASSIFIED

COPY

ADDSD TO FCO TEL NO 472 OF 19 MAY RPTD FOR INFO TO TEHRAN SAVING TO KUWAIT DUBAI ABU DHABI JEDDA BAHRAIN RESIDENCY BAHRAIN AGENCY DOHA CAIRO TRIPOLI BENGHAZI.

IRAQI OIL. IN A STATEMENT TO THE IRAQI NEWS AGENCY PUBLISHED ON 8 MAY THE IRAQI MINISTER OF OIL WARNED FOREIGN OIL COMPANIES THAT THEY BEAR THE CONSEQUENCES OF AN INCREASE IN OIL PRODUCTION * IN/COUNTRY AT THE EXPENSE OF ARAB OIL IN GENERAL OR IRAQI OIL IN PARTICULAR, WOULD NOT BE PERMITTED.

2. THE BAGHDAD OBSERVER (18 MAY), AL NUR(19MAY) AND HURRIYAH (19MAY) SEE THE AGREEMENT

RECENTLY CONCLUDED BETWEEN THE IRANIAN GOVERNMENT AND THE OIL CONSORTIUM AS YET ANOTHER ASPECT OF THE IMPERIALIST/IRANIAN CONSPIRACY AGAINST IRAQ.

AL NUR RECOMMENDS THE ACTIVATION OF THE NATIONAL OIL COMPANY AS THE ONLY MEANS OF FOILING THIS CONSPIRACY

FCO PASS SAVING TO KUWAIT DUBAI ABU DHABI JEDDA BAHRAIN RESIDENCY BAHRAIN AGENCY DOHA CAIRO TRIPOLI BENGHAZI

MR.EVANS.

[REPEATED AS REQUESTED]

FCO/WH DISTRIBUTION
OIL DEPT.

* Presumably "in another neighbouring" omitted, or some such.

NED.

I take it that this statement by the Iraqi Minister of Oil was for the record mainly, to put the Companies on notice that the Iranian agreement should not be at the expense of increased liftings from Iraq. In fact, BP confirm to us that the Iraqis have lost out on the chance of getting a big increase in production, as part of a settlement with the I.P.C.s/...

now that the Consortium have conceded a substantial rise to the Iranians.

28/5

YTC/1

TELEGRAM SECTION
Room 124 K.C.S
Communications Department

Oil Dept.

Copy/ies of the following telegram has/have been sent

No. 472. from Baghdad. 19/5

TO:

Oil Distbn

(Signed) ....

(Department)..........................

(Date)..................................

Action taken in Communications Department :

(Initials) .... (Date) ....20/5..................

AFTER ACTION THIS FORM SHOULD BE SENT TO THE APPROPRIATE REGISTRY FOR RETENTION

Reference with 32

N.E.D. (Mr. Hinchcliffe) [illegible] 20/5

Arabian Dept.

Iraqi production would seem to be the only British interest threatened, though the attack would be mounted in the Lebanon or Syria. Kuwait and the Gulf are not, I trust, vulnerable to the fedayeen.

[illegible]
19/5

Mr [illegible] [illegible] 21/5

Mr Bell see over.

[illegible].

Tapline is not a British interest: my minute referred to the second sentence of the report.

~~Oil Dept~~. [illegible] 27/5

The minute above is wide of the mark. It is the TAPLINE pipe (running from Aramco's fields in Saudi Arabia through Jordan, Israeli-occupied Syria, to Lebanon and the Medreco-owned terminal near Saida); not the IPC pipe-line from Kirkuk in Iraq, and running across Syria to Tripoli in Lebanon.

Ed (5084)

2. We have in fact had two separate reports about the possibility of such an attack (by the Habash group of the fedayeen the PFLP); and you will indeed find that the last para. of Pt. II of this week's Red Book is devoted to this subject.

3. It is not yet clear if the attack would be mounted in the Golan Heights area, or in Lebanon. (It is, of course, a weird anomaly that the line runs through territory controlled by Israel; the ~~fedayeen~~ PFLP would wish to draw the attention of the world to this, perhaps.) The Israelis would not particularly mind if Saudi through-put was disrupted; but they may not wish to offend the U.S., on the other hand.

There has been some evidence to suggest the Heights — which I have marked to Oil Dept
RAB 21/5

4. It is only fair to add that as yet, this appears to be no more than one of the PFLP's plans. There is a big gap between intent and execution. They have had a good many other "spectaculars" on the stocks for months, which they have signally failed to carry out.

[illegible]
Near Eastern Dept. 21/5

6

34

Copy Filed

Middle East Oil Production For April

Following are Middle East crude oil production figures in thousands of barrels daily (see story p.1):

	—April— 1969	—April— 1968	% Change	—Jan.-Apr.— 1969	—Jan.-Apr.— 1968	% Change
Iran						
Consortium	3,077.2	2,547.1	+ 20.8	3,035.2	2,527.2	+20.1
Others ‡	289.6	136.6	+112.0	218.7	138.0	+58.5
Total	3,366.8	2,683.7	+ 25.4	3,253.9	2,665.2	+22.1
Saudi Arabia						
Aramco	3,141.7	2,883.1	+ 9.0	2,874.4	2,800.9	+ 2.6
Arabian Oil Co.	167.5	155.6	+ 7.6	162.4	137.7	+17.9
Getty Oil	111.5	105.7	+ 5.5	102.5	67.2	+52.5
Total	3,420.7	3,144.4	+ 8.8	3,139.3	3,005.8	+ 4.4
Kuwait						
Kuwait Oil Co.	2,854.2	2,254.5	+ 26.6	2,497.0	2,214.6	+12.8
Arabian Oil Co.	167.5	155.6	+ 7.6	162.4	137.7	+17.9
Aminoil	56.5	58.5	— 3.4	28.2	51.6	—45.3
Total	3,078.2	2,468.6	+ 24.6	2,687.6	2,403.9	+11.8
Iraq	1,520.8	1,525.9	— 0.3	1,527.9	1,536.5	— 0.6
Abu Dhabi	670.5	504.3	+ 33.0	602.4	512.8	+17.5
Qatar (estimated)	361.2	330.0	+ 9.5	348.8	334.7	+ 4.2
Oman	325.8	201.9	+ 61.4	295.8	178.1	+66.1
Bahrain	76.9	75.5	+ 1.9	76.4	73.8	+ 3.5
Grand Total	12,820.9	10,934.3	+ 17.3	11,932.1	10,710.8	+11.4

‡ April: LAPCO 156,915 b/d; IPAC 103,980 b/d; SIRIP 21,347 b/d; NIOC 7,407 b/d.

ML 505/1

p.c. [illegible]

P.a. [illegible] 27/6

EQ 359/2

Restricted.

P/w

Reference..

~~Mr Ellingworth~~ RWB 21/5.

NED.

~~Mr Brant~~ (again)

I.P.C. : Military Co-operation

Mr Wilson of I.P.C., assistant to Mr Ramsay-Brown, told me that the visit of the Iraqi Army officers to [illegible] has gone very well. (Mr Wilson had accompanied him). He had been taken to see Col. Peters, him an R.E. Officer. Mr Wilson was appreciative.

C Brant
21/5

We should, I think, let H.M. Embassy B'dad know. RWB 21/5

Tel. to Baghdad CB 28/5

Ed (5084)

35

En Clair

BAGHDAD TO FOREIGN AND COMMONWEALTH OFFICE

Telno 498 28 May 1969

UNCLASSIFIED

Addressed to F.C.O. telegram No. 498 of 28 May
Repeated for information to Tehran, Kuwait, Dubai, Jedda, Bahrain, Bahrain Agency, Doha, Cairo, Tripoli and Benghazi

33 My telegram No. 472: Iraqi Oil.

The Baghdad Observer in an editorial on 26 May refers to the recent statement by the Minister of Oil and Minerals in which he warned oil companies of the consequences of any increase in oil production in any country at the expense of Iraqi oil. The editorial states that the agreement reached by Iran with the Oil Consortium is yet another imperialist attempt to retaliate against any country that shows signs of independence in its internal or external policies. The Minister's warning should be reinforced by a final decision to re-adjust the oil companies concessions. The editorial calls upon OPEC to take this up as a matter of urgency.

Mr. Evans.

FCO/WH DISTRIBUTION
OIL DEPT.

Minute
29/5

FFFFF

CONFIDENTIAL

Oil Department (36)

RECEIVED IN
REGISTRY No. 46
10 JUN 1969

ML 359/2

ML 359/2

9 June, 1969

IPC: Iraqi Officer's visit

IPC tell us that the visit of Lieutenant Jiburi to
(31) the School of Infantry at Warminster (FCO telegram No. 388
to you) went off well. He had been taken to see Col. Roden,
the Commandant, then on to a RE officer for the technicalities. IPC seemed reasonably appreciative, though we have not heard whether they are proposing to follow up this visit with any proposals for training. Dalley told me that, although he thought there might be a marginal dividend in terms of good will, he did not expect there would be any noticeable improvement in security precautions as a result of Jiburi's visit.

2. You doubtless detected an underlying note of irritation in our telegram under reference, particularly regarding the short notice which IPC gave us to procure suitable expertise for this Iraqi officer. The point was, that after having "sat on" our offer of help for a considerable number of weeks, the company then pressed for facilities from the Ministry of Defence at practically no notice at all. I hope we can avoid this sort of situation occurring again; while we do not suggest you say anything to the IPC about this visit, we should be grateful for anything you can do at your end to ensure more notice in future. We are only too willing to help the IPC to improve their relations with the local military. But because the process is a little delicate at this end (e.g. with the need to obtain clearance, arrange calls etc.) we need much more notice than we got this time. We should also greatly prefer that any further request for training of this nature should reach us from the Iraqi Government. We hope, therefore, that if there were any disposition on the part of the IPC in Iraq to follow up Lt. Jiburi's visit, they can be induced to steer their requests to this effect through Iraqi official channels. It would make matters so much easier at this end.

(R.H. Ellingworth)

P.

D.F. Hawley, Esq., M.B.E.,
Baghdad.

RO 23/6

CONFIDENTIAL

CONFIDENT...

Registry No. ML 359/2

DRAFT letter

Type 1 +

SECURITY CLASSIFICATION

Top Secret.
Secret.
Confidential. CTB
~~Restricted.~~
Unclassified.

PRIVACY MARKING

......................In Confidence

To:—

D. F. Hawley, Esq., MBE.

BAGHDAD

From
R. H. Ellingworth
Telephone No. & Ext.

Department
Oil

IPC: Iraqi Officer's visit

IPC tell us that the visit of Lieutenant Jiburi to the School of Infantry at Warminster (FCO telegram No. 388 to you) went off well. He had been taken to see Col. Roden, the Commandant, then on to a RE officer for the technicalities. IPC seemed reasonably appreciative, though we have not heard whether they are proposing to follow up this visit with ~~its~~ any proposals for training. ~~to any great extent.~~ Dalley told me that, although he thought there might be a marginal dividend in terms of good will, he did not expect there would be any noticeable improvement in security precautions as a result of Jiburi's visit.

2. You doubtless detected an underlying note of irritation in our telegram under reference, particularly regarding the short notice which IPC gave us to procure suitable expertise for this Iraqi officer. The point ~~there~~ was that, after having "sat on" our offer of help for a considerable number of weeks, the~~y~~ Company then ~~demanded~~ pressed for facilities from the Ministry of Defence at practically no notice at all. I hope we can avoid this sort of situation occurring again; ~~in the future:~~ while we do not suggest you say anything to the IPC about this visit, we should be grateful for anything you can do at your end to ~~procure a~~ ensure more notice ~~[illegible]~~ in future. ~~representative. The point is that~~ We are only too willing to help the IPC to improve their relations with thei~~r~~ local military. But because the process is a little delicate at this end (e.g.

/with

-/31

Mr Ellingworth

Cleared by telephone

N.E.D.

D. & S.D. } [illegible]

[illegible] 29/5

Perhaps the letter might incorporate the caveat in my minute of 24 April

[illegible] 3/6

Dft. amended accordingly. [illegible] 4/6

NOTHING TO BE WRITTEN IN THIS MARGIN

(118281) Dd. 391599 1,500M 2/69 Hw

with the need to obtain clearance, arrange calls etc.) we need ~~as~~ much more notice ~~as~~ than we ~~can~~ got this time.

~~3. Similarly, if you hear anything at your end of propositions by the IPC to obtain further training for Iraqi officers, we should be very glad to know.~~ ~~And a fortiori~~ We should also greatly prefer that any further request ~~that~~ for ~~military~~ training of this nature should reach us ~~through~~ from the Iraqi Government. We hope, therefore, that if there were any disposition on the part of the IPC in Iraq to follow up Lt. Jiburi's visit, ~~that~~ they can be induced to steer their ~~request~~ ~~invitations~~ requests to this effect through Iraqi official channels. It would make matters so much easier at this end.

[illegible] 6/6.

NOTHING TO BE WRITTEN IN THIS MARGIN

Reference W-/35

PMR 30/3

Mr Ellingworth.

NED (Mr Hinchcliffe)

Iraq & the IPC.

I passed this on to Mr Bird as you requested (though I had to confess that I failed to see the logic of the statement at "x").

2. He told me that Hahn was now back in London again after a lightning visit to Basra; & that although one or two points remained to be settled, the IPC might "with a bit of luck" get an agreement on the port question. It remained to be seen, however, whether this would lead to agreement on the wider issues. Mr Bird added that

/the

the Minister of Oil still seemed to be hostile, & using his influence against the IPC

O Brant
29/5

Mr Brant

Iraqi official statements are not remarkable for the logic of their contents!

R M Hunt[illegible]
NEO 2/6

IPC have now got a Post-Dues agreement initialled.

O B 4/6

p.a.

37

The Financial Times Saturday May 24 1969

Iraqi peace overture to Kurds

By Our Middle East Correspondent

BEIRUT, May 23.

THE Iraqi regime has offered to make peace with the Kurdish insurgents operating in the north of the country.

The Government has promised to issue, within the next few days, a new law for local administration which would give the Kurds local government in areas where they form a majority. This was announced by Brigadier Saadoun Ghaidan, Commander of the Baghdad Garrison and a member of Iraq's top executive, the five-man Revolution Command Council. Brigadier Ghaidan is currently visiting northern areas. According to informed sources here, the purpose of the trip is to try to contact insurgent representatives.

The Kurds under the 66-year-old Mulla Mustafa Barzani resumed hostilities against the Iraqi Army in the northern areas last March and declared they would not stop fighting before the present regime, which is dominated by the left-wing Baath Party is replaced by a Government more favourable to the Kurds.

It is believed that the Iraqi regime's bid to make peace with the Kurds has been dictated by several considerations, the most important among them being the new threat to the Iraqi oil industry.

Kurdish insurgents were behind the mortar attack last March on the Kirkuk installations of the Iraq Petroleum Company. The attack was part of a new Kurdish policy to strike at the oil industry and deprive the regime of oil revenue.

Mr. Grant

9/6

P.a.

23/6

Mr Blackburn's message was somewhat clearer!

CONFIDENTIAL

Mr Acland 5/6
Mr Tahta
Mr Arthur 5/6
Bn ante

46

38

BRITISH EMBASSY
WASHINGTON, D.C.

RECEIVED IN REGISTRY -6 JUN 1969
NEQ 1/2

12/9

2 June, 1969.

4/6

Dear David,

Kurdish Threat to Oil Installations in Iraq

I have been told by Talcott Seelye (the Country Director for Iraq in the State Department) that two Americans of Kurdish extraction, who recently spent a few days in Kurdistan and saw Mulla Mustafa at the end of April, were asked by Mulla Mustafa to bring back a message to the U.S, government. The message was to the effect that Mulla Mustafa wanted the Americans to understand that he was under great pressure to attack Iraqi oil facilities and that he would have to give serious consideration to doing so at some time in the future, as Iraqi oil revenues were being spent to buy arms for use against the Kurds.

2. The message did not call for any action on the part of the U.S. and the State Department are somewhat puzzled over Mulla Mustafa's motive in sending it. They have, however, informed U.S. oil companies in the I.P.C. of the terms of the message.

Yours ever,

Alan Urwick

(A.B. Urwick).

RECEIVED IN REGISTRY No.46 10 JUN 1969
ML 359/2

D. Montgomery, Esq.
Near Eastern Department,
Foreign and Commonwealth Office,
London, S.W.1.

Cc: Chanceries
Baghdad
Tehran
UKMis.New York
Mr. A.T. Gregory,
Ministry of Power,
Thames House South,
Millbank, London, S.W.1.

~~Reg~~
copy under C.S.
to Mr ~~Brant~~ of Oil Dept
Please
9/6

CONFIDENTIAL

9/6

Mr Ellingworth

Reg

P.A.

9/6

22/6

(39)

IRAQ PETROLEUM COMPANY, LIMITED

33 CAVENDISH SQUARE LONDON WIM OAA

TELEPHONE 01-629 9405 TELEX 22266

EGRAMS Inland PETRIRAQ LONDON TELEX Foreign PETRIRAQ LONDONWI Code BENTLEY'S SECOND PHRASE

12th June, 1969.

IRAQ OIL - MAY 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for May, and the totals for the first five months of 1969, are as follows -

	Production May, 1969	Production Jan.-May, 1969
	Long Tons	Long Tons
IRAQ PETROLEUM COMPANY, LIMITED	4,602,000	22,892,000
BASRAH PETROLEUM COMPANY LIMITED	1,421,000	6,949,000
MOSUL PETROLEUM COMPANY LIMITED	114,000	550,000
	6,137,000	30,391,000
	−2.77% on 1968	−1.65% on 1968

18/6.

18/6

Mr. Walker

Mr. Ellingworth 18/6

H.E.D.

20/6

P.a.

23/6

CONFIDENTIAL

Mr Bryant,
Oil Dept.

With the compliments of

FOREIGN AND COMMONWEALTH OFFICE

P.R.M. Hinchcliffe.

9 June 1969.

LONDON, S.W.1

CONFIDENTIAL

O.I.W.   23 June 1969

(40)

Middle East Oil Output Falls First Time in 14 Months

The growth in Middle East oil output tapered off sharply in May —in fact, the area registered its first drop below year-earlier rates in 14 months.

A decline below year-ago rates was registered by all major oil producing groups, even the Iranian consortium which dipped by 1.8%. A bigger slump was registered by Aramco in Saudi Arabia which was 8.5% below May 1968, Kuwait Oil Co. which declined 2.6% and the Iraq Petroleum Co. which fell 2.8%.

Increases in output were recorded only in the newer areas. Following are the detailed figures in thousands of barrels daily:

	—May— 1969	1968	% Change	*—Jan.-May—* 1969	1968	% Change
Iran						
Consortium	2,660.8	2,710.5	—1.8	2,958.3	2,564.6	+15.4
Others*	323.7	147.6	+119.3	240.3	139.9	+71.8
Total	2,984.5	2,858.1	+4.4	3,198.6	2,704.5	+18.3
Saudi Arabia						
Aramco	2,707.8	2,960.1	—8.5	2,840.2	2,833.3	+ 0.2
Arabian Oil Co.	140.5	131.3	+7.0	157.9	136.4	+15.8
Getty Oil	107.1	115.7	—7.4	103.4	77.1	+34.1
Total	2,955.4	3,207.1	—7.8	3,101.5	3,046.8	+ 1.8
Kuwait						
Kuwait Oil Co.	2,485.4	2,554.9	—2.7	2,494.6	2,284.0	+ 9.2
Arabian Oil Co.	140.5	131.3	+7.0	157.9	136.4	+15.8
Aminoil	54.4	64.6	—15.8	33.6	54.3	—38.1
Total	2,680.3	2,750.8	—2.6	2,686.1	2,474.7	+ 8.5
Iraq	1,496.6	1,539.3	—2.8	1,521.6	1,537.1	— 1.0
Abu Dhabi†	663.0	517.9	+28.0	614.8	513.8	+19.7
Qatar	321.9	336.6	—4.4	344.6	335.1	+ 2.8
Oman	308.8	214.2	+44.2	298.5	185.5	+60.9
Bahrain	75.3	76.8	—2.0	76.1	74.5	+ 2.1
Grand Total	11,485.8	11,500.8	—0.1	11,841.8	10,872.0	+ 8.9

* May: LAPCO 193,824 b/d; IPAC 98,922 b/d; SIRIP 23,765 b/d; NIOC 7,223 b/d. † Estimated.

P...
R9
1/7

359/2

41

IRAQ PETROLEUM COMPANY, LIMITED

33 CAVENDISH SQUARE LONDON WIM OAA

TELEPHONE 01-629 9405 TELEX 22266

EGRAMS Inland PETRIRAQ LONDON TELEX Foreign PETRIRAQ LONDONWI Code BENTLEY'S SECOND PHRASE

*11th July, 1969.

IRAQ OIL - JUNE 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for June, and the totals for the first six months of 1969, are as follows -

	Production June 1969	Production Jan.-June, 1969
	Long Tons	Long Tons
IRAQ PETROLEUM COMPANY, LIMITED	4,512,000	27,404,000
BASRAH PETROLEUM COMPANY LIMITED	1,389,000	8,338,000
MOSUL PETROLEUM COMPANY LIMITED	110,000	660,000
	6,011,000	36,402,000
	+4.30% on 1968	−0.72% on 1968

Mr. Bryant 18/7

N.E.D.

21/7

RD

17/7

RD 20/8

*Released on 10th July, 1969

42

Middle East Economic Survey

A weekly review of news and views on Middle East Oil

VOL. XII NO. 37 11 JULY 1969

2. 1969-70 Iraqi Budget: Iraq's budget for the fiscal year 1969-70, which began on 1 April, was published in the Official Gazette on 27 May. Total state revenue is estimated at ID 614,971,931 ($1,728 million) and expenditure at ID 666,641,514 ($1,866.6 million), as compared with ID 524,581,451 and ID 610,647,834 respectively for the previous year (for details, see pages i-iii). On the revenue side, the 1969-70 budget comprises ordinary revenue (ID 262,644,078), revenue of autonomous government agencies (ID 263,142,853), and revenue allocated for development (ID 89,185,000). The corresponding figures on the expenditure side are estimated at ID 267,959,720, ID 287,261,794 and ID 111,420,000.

The 1969-70 revenues from oil companies and companies exploiting other natural resources are estimated at ID 170,000,000 ($476 million), as compared with ID 145,690,000 ($407.9 million) in the previous year.* According to the budget law, 50 percent of these revenues, amounting to ID 85,000,000, are allocated to the 1969-70 development plan budget, which is supplemented by ID 26,420,000 from foreign loans and other sources.

Enter OD, (Production) NED. (See annex)

* An increase of 16.7%!

P.a.

RO

23/7

The IIC estimate of ID 170m (see minute with (20)) included ID 15m for local expenditure.

RO

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WHAT'S NEW AROUND THE WORLD

ARGENTINA—Due to a higher than anticipated rise in demand, crude oil imports may have to be increased this year, the Secretary for Energy and Mining tells PIW in Buenos Aires. He indicates that imports could go as high as 12.6-million barrels compared with the 9.4-million targeted previously.

•

AUSTRALIA—The first pipeline to carry Bass Straits crude oil to refineries will be built jointly by Shell, Esso and Mobil—to supply Shell's Geelong plant as well as Esso-Mobil's at Altona (PIW-Nov.11,p.7).

The 80-mile, $14.3-million (U.S.) line will have initial capacity of 150,000 barrels daily and run from Esso-BHP's Westernport crude oil terminal. It will be completed in second-half 1970, owned by Shell 52.3%, Mobil 31% and Esso 16.7%.

•

BOLIVIA—The state oil company will receive "all oil areas not yet under concession" under a proposed new oil code which Bolivia's president says the government "will be elaborating shortly" (PIW—May 13'68,p.4).

He also says negotiations will be held with Gulf Oil, the only producer besides the state company, with the aim of increasing Bolivia's share of profits to more than 50%, from 33.3% under the present 1955 oil code.

•

BRAZIL—State-owned Petrobras is getting an $81.6-million sterling loan for its expansion plans from a group of 14 British and Scottish banks headed by Hambros. It's for 15½ years at 5.5% interest and is backed by Britain's Export Credits Guarantee Department. It will be used mainly for British equipment and services.

•

CAMEROUN—Shell has now settled with the government the terms of its entry into offshore exploration in two permits off Victoria in the west (PIW—Feb.10,p.7). Shell-Camrex will have 20% participation in the Rio del Rey permit held by French Elf's Serepca and will invest $2.32-million in this permit over a two-year period.

The half of the original 950-square mile Rio del Rey acreage which Serepca relinquished will go to Shell-Camrex as the new Lokele permit, and Serepca will have 20% participation. Shell's four-year investment commitment for this permit is $1.4-million.

Serepca made a non-commercial find in 1967 in the Cameroun offshore, which borders Nigerian waters where several discoveries have been made.

•

CEYLON—Coming on stream of the state oil company's 35,000 barrels daily refinery has been delayed until the latter part of October due to start-up problems (PIW—June 23,p.5).

Ceylon Petroleum meanwhile, has plans to add a sulfur extraction plant and a liquefied petroleum gas unit to the refinery at a cost of over $1-million. The sulfur unit is expected to recover approximately 4,000 metric tons annually, leaving Ceylon with a surplus of 1,000 tons. Estimates show LPG demand at 3,000 to 5,000 tons a year for household consumers and 5,000 to 7,000 tons for industrial users.

•

Egypt O.D.

EGYPT—Crude oil production should hit 400,000 barrels daily by year-end, according to Oil Minister Aziz Sidky, compared with about 240,000 b/d at the end of 1968 (PIW—Jan.27,p.5).

By end-December, production from the Indiana Standard-EGPC Morgan field is expected to reach about 300,000 b/d from the current 200,000 b/d, while output from the Phillips-EGPC Alamein field should reach 60,000 b/d compared with today's roughly 40,000 b/d. Another 45,000 b/d will come from EGPC's wholly-owned Umm El Yusr, Bakr and Karim fields.

•

GERMANY (WEST) — Esso's net profits jumped 75% last year to $4.95-million, from $2.82-million in 1967, on total income of $1,213-million.

Product sales volume increased 10% to 19.2-million tons, supplied 80% from Esso's four German refineries. Crude processed by the refineries increased 5% to 16.2-million tons last year. Esso plans a $35-million expansion of its Hamburg-Harburg refinery by 1972.

•

INDIA—One Western refiner went part way last week to meet the government's demand for a cut in the price of its Iranian crude oil imports, but it wasn't clear whether India would settle for the proposal. Burmah-Shell offered 4¢ a barrel off its $1.38

Middle East Oil Production For June

Following are Middle East crude oil production figures in thousands of barrels daily (see story p.1):

	—June— 1969	1968	% Change	—Jan.-June— 1969	1968	% Change
Iran						
Consortium	3,072.3	2,469.6	+24.4	2,977.2	2,548.9	+16.8
Others*	271.2	135.7	+99.9	245.4	133.0	+84.5
Total	3,343.5	2,605.3	+28.3	3,222.6	2,681.9	+20.2
Saudi Arabia						
Aramco	2,729.2	2,783.0	— 1.9	2,821.8	2,825.1	— 0.1
Arabian Oil Co.	159.3	158.8	+ 0.3	158.2	140.1	+12.9
Getty Oil	99.6	72.2	+38.0	102.8	76.3	+34.7
Total	2,988.1	3,014.0	— 0.9	3,082.8	3,041.5	+ 1.4
Kuwait						
Kuwait Oil Co.	2,572.8	2,085.5	+23.4	2,507.6	2,251.3	+11.4
Arabian Oil Co.	159.3	158.8	+ 0.3	158.2	140.1	+12.9
Aminoil	32.3	36.1	—10.5	33.4	51.3	—34.9
Total	2,764.4	2,280.4	+21.2	2,699.2	2,442.7	+10.5
Iraq	1.514.8	1,452.3	+ 4.3	1,520.4	1,523.1	— 0.2
Abu Dhabi	666.9	532.8	+25.2	619.8	516.9	+19.9
Qatar	362.3	338.0	+ 7.2	347.5	335.5	+ 3.6
Oman	313.9	245.2	+28.0	301.0	195.3	+54.1
Bahrain	75.0†	75.0	0.0	76.0†	74.5	+ 2.0
Grand Total	12,028.9	10,543.0	14.1	11,869.3	10,811.4	+ 9.8

* June: Lapco 128,520 b/d; IPAC 106,547 b/d; SIRIP 26,421 b/d; NIOC 9,687 b/d. † Estimated.

Ent. O.D. : NED : N.A.D. : Arabian : oil posts.

R.O

20/8

(44) ~~(49)~~

IRAQ PETROLEUM COMPANY, LIMITED

33 CAVENDISH SQUARE LONDON WIM OAA

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7th August, 1969.

IRAQ OIL - JULY 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for July, and the totals for the first seven months of 1969, are as follows -

	Production July 1969	Production Jan.-July 1969
	Long Tons	Long Tons
IRAQ PETROLEUM COMPANY, LIMITED	4,839,000	32,243,000
BASRAH PETROLEUM COMPANY LIMITED	1,144,000	9,482,000
MOSUL PETROLEUM COMPANY LIMITED	113,000	773,000
	6,096,000	42,498,000
	+0.44% on '68.	-0.55% on '68.

Very marginal differences.

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N.E.D.

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RD 20/8

RD 11/8

45

Iran Gains, Other Major Mideast Areas Slip

In July, only Iran among major Middle East producing areas recorded a production boost compared with a year ago.

Though not as big as in some recent months, the hike was nonetheless a healthy 11.3% while output in Saudi Arabia was down 4.6% and in Kuwait 7.5%.

For the year through July, Iranian output is up a sharp 18.6% compared with Kuwait's 7.6%. Saudi Arabia is showing a less than 1% increase due to lower production by Aramco whose exports have been curtailed by the Tapline shutdown.

Production figures in thousands of barrels daily follow:

	—July—		%	—Jan.-July—		%
	1969	*1968*	*Change*	*1969*	*1968*	*Change*
Iran						
Consortium	3,014.4	2,806.6	+7.4	2,982.7	2,586.4	+15.3
Others*	242.0	118.1	+104.9	244.9	136.0	+80.1
Total	3,256.4	2,924.7	+11.3	3,227.6	2,722.4	+18.6
Saudi Arabia						
Aramco	2,827.2	2,939.1	−3.8	2,822.6	2,841.6	− 0.7
Arabian Oil Co.	147.5	167.9	−12.2	156.6	144.1	+ 8.7
Getty Oil	78.2	92.4	−15.4	99.2	78.6	+26.2
Total	3,052.9	3,199.4	−4.6	3,078.4	3,064.3	+ 0.5
Kuwait						
Kuwait Oil Co.	2,418.2	2,581.3	−6.3	2,494.5	2,299.3	+ 8.5
Arabian Oil Co.	147.5	167.9	−12.2	156.6	144.1	+ 8.7
Aminoil	9.2	35.2	−73.9	29.8	48.9	−39.1
Total	2,574.9	2,784.4	−7.5	2,680.9	2,492.3	+ 7.6
Iraq	1,486.6	1,480.1	+0.4	1,515.5	1,516.8	− 0.1
Abu Dhabi	547.9	483.2	+13.4	609.3	518.0	+17.6
Qatar	373.7	338.2	+10.5	351.4	335.9	+ 4.6
Oman	310.0†	262.7	+18.0	302.0†	205.1	+47.2
Bahrain	75.8	75.8	0.0	76.0	74.7	+ 1.7
Grand Total	11,678.2	11,548.5	+1.1	11,841.1	10,929.5	+ 8.3

* July: LAPCO 77,075 b/d; IPAC 122,049 b/d; SIRIP 32,400 b/d; NIOC 10,518 b/d. † Estimated.

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IRAQ PETROLEUM COMPANY, LIMITED

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ML 359/2

10th September, 1969.

IRAQ OIL - AUGUST 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for August, and the totals for the first eight months of 1969, are as follows -

	Production August 1969	Production Jan.-Aug. 1969
	Long Tons	Long Tons
IRAQ PETROLEUM COMPANY, LIMITED	4,697,000	36,940,000
BASRAH PETROLEUM COMPANY LIMITED	1,540,000	11,022,000
MOSUL PETROLEUM COMPANY LIMITED	111,000	884,000
	6,348,000	48,846,000
	+7·24% on '68	+0·39% on '68

Mr. Brant [illegible]
N.E.D. [illegible] 16/9
P.a. if no obs.
[illegible]
15/9

47

Extract from M.E.E.S. of 19/9/69

6. IPC Group Payments to Iraq, Qatar and Abu Dhabi for 1968: Payments to the Iraqi Government by IPC and its associated companies in Iraq in respect of crude oil exports in 1968 rose to £203.3 million, as compared with £131.7 million for 1967, according to IPC's 1968 Annual Review. Crude oil production for 1968 by the three companies (IPC, BPC and MPC) rose by 23 percent to 72,621,104 tons while exports were up 24 percent over the previous year at 69,445,521 tons. Payments to the governments of Syria and Lebanon totaled £21.6 million and £4.1 million respectively, mainly for transit and terminal fees.

(... O.D. Iraq, Qatar and Abu Dhabi file)
E.D.

The Qatar Petroleum Company (same ownership as IPC) in its Annual Review reports payments of £28.3 million to the Qatar Government for 1968, as against £24.7 million for 1967. Production remained steady at 9,018,212 tons, with exports rising slightly to 9,058,678 tons.

The Abu Dhabi Petroleum Company (same ownership as IPC) reported payments to the government of £41.9 million, as compared with £29.9 million for 1967, on exports of 14,758,077 tons, up 21 percent. Production registered a similar increase (22 percent) at 14,919,544 tons.

Calculations based on the annual reviews of the companies show the per barrel payments to the governments to be approximately as follows:

	1968	1967
IPC & Associates (Iraq)		
Exports (million barrels)	525.3	424.0
Payments to Govt. (million $)*	475.4	363.0
Payments per barrel (cents)	90.5	85.6
QPC (Qatar)		
Exports (million barrels)	70.8	69.8
Payments to Govt. (million $)	67.9	66.5
Payments per barrel (cents)	95.9	95.3
ADPC (Abu Dhabi)		
Exports (million barrels)	114.0	94.0
Payments to Govt. (million $)	100.6	80.2
Payments per barrel (cents)	88.2	85.3

* A lump sum payment of £10 million ($24 million) was made in June 1968 in respect of exports from Iraq by IPC and MPC from June 1967 to the end of May 1968 (reflecting a premium of 7 cents per barrel on exports from Mediterranean terminals which has been continued after May 1968). Payment figures for 1967 and 1968 have been adjusted to reflect the apportionment of the $24 million lump sum as follows: $12.5 million in respect of oil exports in 1967 and $11.5 million in respect of oil exports in 1968.

Note: Supplement to MEES, Vol. XII, No. 47, 19 September 1969

TEXT OF BASRAH PORT DUES AGREEMENT

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Middle East Oil Production For August

Following are Middle East crude oil production figures in thousands of barrels daily:

Country	—August— 1969	1968	% Change	—Jan.-Aug.— 1969	1698	% Change
Iran						
Consortium	3,114.6	2,705.3	+ 15.1	2,999.5	2,601.5	+15.3
Others	*309.9	125.0	+147.9	253.2	126.8	+99.7
Total	3,424.5	2,830.3	+ 21.0	3,252.7	2,728.3	+19.2
Saudi Arabia						
Aramco	2,825.1	2,803.4	+ 0.8	2,822.9	2,836.8	— 0.5
Arabian Oil Co.	175.8	168.9	+ 4.1	159.0	147.3	+ 7.9
Getty Oil	97.8	92.0	+ 6.3	99.0	80.3	+23.3
Total	3,098.7	3,064.3	+ 1.1	3,080.9	3,064.4	+ 0.5
Kuwait						
Kuwait Oil Co.	2,492.3	2,422.0	+ 2.1	2,494.2	2,314.9	+ 7.7
Arabian Oil Co.	175.8	168.9	+ 4.1	159.0	147.3	+ 7.9
Aminoil	31.9	25.7	+ 24.1	30.1	46.0	—34.6
Total	2,700.0	2,616.6	+ 3.2	2,683.3	2,508.2	+ 7.0
Iraq	1,548.1	1,443.5	+ 7.2	1,519.7	1,507.5	+ 0.8
Abu Dhabi	591.1	516.8	+ 14.4	607.0	512.6	+18.4
Qatar	349.0	344.8	+ 1.2	351.1	337.1	+ 4.2
Oman	344.3	270.4	+ 27.3	309.9	213.4	+45.2
Bahrain	76.6	75.1	+ 2.0	76.0	74.8	+ 1.6
Grand Total	12,132.3	11,161.8	+ 8.7	11,880.6	10,946.3	+ 8.5

* Lapco 145,011 b/d; IPAC 124,193 b/d; SIRIP 30,709 b/d; NIOC 10,024 b/d.

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Reference: will (47)

Mr. Ellingworth. RWE 1/10.

These figures, from last week's MEES, are more or less the same, in the case of Iraq, as the figures in this week's MEES. The figures for QPC and ADPC are additional and show that payment per barrel in Iraq compares less favourably with some of the smaller suppliers than they do with some of the larger. The article states that the lump-sum payment of June '68 has been allocated to the appropriate periods and this should not be an element in the high unit-take figure for Iraq, as I thought it was. It is still true that a greater proportion of Iraq's production than of the production of any other major producing country in the Middle East is delivered to the Mediterranean; and this is a factor in the unit-take. The article also suggests that costs are a significant factor: QPC is stagnating and has little new investment; ADPC is still expanding.

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IRAQ PETROLEUM COMPANY, LIMITED

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10th October, 1969.

IRAQ OIL - SEPTEMBER 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for September, and the totals for the first nine months of 1969, are as follows -

	Production September 1969	Production Jan.-Sept. 1969
	Long Tons	Long Tons
IRAQ PETROLEUM COMPANY, LIMITED	4,515,000	41,455,000
BASRAH PETROLEUM COMPANY LIMITED	1,407,000	12,428,000
MOSUL PETROLEUM COMPANY LIMITED	110,000	994,000
	6,032,000	54,877,000
	+4·79% on '68	+0·85% on '68

N.E.D. PMM 17/10

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Arabian Dept. | N.E.D. | Tehran | Jeddah | Kuwait etc. E.L. | c.).

Saudi Arabia's Oil Flow Hits Record In September

Due to the reopening of Tapline, Aramco's oil output jumped in September by 400,000 barrels daily compared with recent months and hit a record 3.2-million b/d. This pushed Saudi Arabia to an all-time high of almost 3.5-million b/d.

Iran recorded its second best month ever, thanks to near record production by the consortium and substantially higher output by new producers. At the same time, another "newcomer" added to Iran's production: Phillips Iminoco group (17,244 b/d initially in August and 40,950 b/d in September).

Total Middle East output in September was also the second best ever, reaching 12.8-million b/d, up 9.4% from a year ago.

Production figures in thousands of barrels daily follow:

Country	—September— 1969	1968	% Change	—Jan.-Sept.— 1969	1968	% Change
Iran						
Consortium	3,273.7	2,933.8	+11.5	3,029.6	2,637.9	+14.8
Others	*279.3	131.2	+112.9	258.0	136.2	+89.4
Total	3,553.0	3,065.0	+15.9	3,287.6	2,774.1	+18.5
Saudi Arabia						
Aramco	3,232.9	2,856.0	+13.2	2,868.0	2,838.9	+1.0
Arabian Oil Co.	180.8	165.1	+9.5	161.4	149.2	+8.2
Getty Oil	75.9	94.2	−19.4	96.5	81.9	+17.8
Total	3,489.6	3,115.3	+12.0	3,125.9	3,070.0	+1.8
Kuwait						
Kuwait Oil Co.	2,678.8	2,695.3	−0.6	2,514.5	2,356.5	+6.7
Arabian Oil Co.	180.8	165.1	+9.5	161.4	149.2	+8.2
Aminoil	52.4	8.6	+509.3	32.6	41.9	−22.2
Total	2,912.0	2,869.0	+1.5	2,708.5	2,547.6	+6.3
Iraq	1,520.1	1,450.5	+4.8	1,519.7	1,501.3	+1.2
Abu Dhabi	**559.7	520.3	+7.6	601.8	513.5	+17.2
Qatar	370.0	353.9	+4.5	353.1	338.9	+4.2
Oman	360.0	285.2	+26.2	315.4	221.3	+42.5
Bahrain	75.8	75.2	+0.8	76.0	74.8	+1.6
Grand Total	12,840.2	11,734.4	+9.4	11,988.0	11,041.5	+8.6

*Lapco 87,993 b/d; IPAC 106,186 b/d; SIRIP 33,705 b/d; NIOC 10,423 b/d; Iminoco (50% NIOC, 50% shared equally gy Phillips, Italy's ENI and India's Oil & National Gas Commission) 40,950 b/d. **Estimated.

p.a. [illegible] 6/11

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IRAQ PETROLEUM COMPANY, LIMITED

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20th November, 1969.

IRAQ OIL - OCTOBER 1969 PRODUCTION FIGURES

The IRAQ, BASRAH and MOSUL PETROLEUM COMPANIES' crude oil production figures for October, and the totals for the first ten months of 1969, are as follows -

	Production October 1969	Production Jan.-Oct. 1969	
	Long Tons	Long Tons	
IRAQ PETROLEUM COMPANY, LIMITED	4,737,000	46,192,000	+1.39%
BASRAH PETROLEUM COMPANY LIMITED	1,441,000	13,869,000	+0.78%
MOSUL PETROLEUM COMPANY LIMITED	113,000	1,107,000	+0.99%
	6,291,000	61,168,000	
	+0.92%	+1.24%	on '68

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Saudi Arabia's Oil Flow Still Surging

Following are Middle East crude oil production figures in thousands of barrels daily (see story p.3):

Country	October 1969	October 1968	% Change	Jan.-Oct. 1969	Jan.-Oct. 1968	% Change
Iran						
Consortium	3,275.5	2,864.2	+14.4	3,054.7	2,660.9	+14.8
Others	*309.2	131.5	+135.1	261.5	135.7	+92.7
Total	3,584.7	2,995.7	+19.7	3,316.2	2,796.6	+18.6
Saudi Arabia						
Aramco	3,325.1	2,717.0	+22.4	2,914.6	2,826.5	+3.1
Arabian Oil Co.	176.2	161.8	+8.9	162.9	150.5	+8.2
Getty Oil	68.3	100.7	−32.2	93.6	83.8	+11.7
Total	3,569.6	2,979.5	+19.8	3,171.1	3,060.8	+3.6
Kuwait						
Kuwait Oil Co.	2,548.6	2,411.7	+5.7	2,518.0	2,362.1	+6.6
Arabian Oil Co.	176.2	161.8	+8.9	162.9	150.5	+8.2
Aminoil	48.5	48.2	+0.6	34.2	42.5	−19.5
Total	2,773.3	2,621.7	+5.8	2,715.1	2,555.1	+6.3
Iraq	1,534.1	1,422.3	+7.9	1,521.1	1,493.2	+1.9
Abu Dhabi	582.2	437.6	+33.0	601.8	505.8	+19.0
Qatar	375.9	358.2	+4.9	355.5	340.9	+4.3
Oman	371.2	292.8	+26.8	321.1	228.5	+40.5
Bahrain	75.6	75.6	..	76.0	74.9	+1.5
Grand Total	12,866.6	11,183.4	+15.1	12,077.9	11,055.8	+9.2

*Lapco 126,072 b/d; IPAC 103,504 b/d; Iminoco 36,482 b/d; SIRIP 32,582 b/d; NIOC 10,556 b/d.

(see p. 3)

LAST PAPER

Cf. IPC's figures

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